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Volume X

Issue I

# JOURNAL



079691

OF

THE ALL INDIA CENTRAL  
LAND DEVELOPMENT BANKS  
CO-OPERATIVE UNION LTD.

September 1971

PUBLISHED BY

THE ALL INDIA CENTRAL LAND DEVELOPMENT  
BANKS CO-OPERATIVE UNION LTD.

*Regd. Office :*  
Barkatpura, Hyderabad-27.

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Garment House (2nd floor),  
Dr. Annie Besant Road, Bombay-18 (WB).

*Hon. Editors :*  
SHRI N. SIVASUBRAMANIAN  
SHRI M. L. SONI

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THE ANDHRA PRADESH CO-OPERATIVE  
CENTRAL LAND MORTGAGE BANK LIMITED.

Telegrams : 'ANMORBANK' 3-4-447/448, Sahakara Bhavan,  
Phones : 42471, 46150, Barkatpura, Hyderabad-27.  
47285.

**President : Shri G V. CHANDRASEKHARA REDDY, B.A.,B.L.,MLA.**

**As on 30-6-1971 :**

<b>1. Paid-up Share Capital</b>	<b>Rs.</b>	<b>557.99</b>	<b>lakhs</b>
<b>2. Statutory Reserve Fund &amp; other Reserves.</b>	<b>Rs.</b>	<b>193.96</b>	<b>"</b>
<b>3. Debentures in circulation</b>	<b>Rs.</b>	<b>10,340.28</b>	<b>"</b>
<b>4. Loans outstanding</b>	<b>Rs.</b>	<b>8,979.04</b>	<b>"</b>
<b>5. Sinking Fund Investments</b>	<b>Rs.</b>	<b>1,874.02</b>	<b>"</b>

The Bank is an Apex Institution to provide Long Term Co-operative Credit to the Agriculturists for purposes such as Sinking of Wells, Purchase of Electric Motors, Oil Engines, Tractors and other agricultural machinery and land development and other development purposes.

During the last five years the Bank issued loans to the extent indicated below:

	Amount (Rs. in lakhs)
1966-67	1,019
1967-68	1,194
1968-69	1,803
1969-70	2,068
1970-71	2,368

The Bank has been advancing long term loans for the reclamation of land coming under the Ayacut of Projects like Nagarjunasagar, Kaddam, Tungabhadra High Level Canal and Pochampad with the refinance facilities, made available by the Agricultural Refinance Corporation and Government of Andhra Pradesh.

The Bank raises funds by floatation of debentures. With a view to mobilise Rural Savings, the Bank also floats Rural Debentures bearing 6½% interest with 7 year maturity. The Government of Andhra Pradesh guaranteed the debentures both in respect of repayment of Principal and payment of interest to the extent of Rs. 150 crores. To pay off the debentures on maturity the Bank constitutes Sinking Funds into which annual payments shall be made regularly.

**SUBSCRIBE IN OUR RURAL DEBENTURES TO HELP  
US SERVE THE AGRICULTURE**

(A. NARASIMHA REDDY)  
Secretary.

(S. A. H. RAZVI)  
Managing Director.

**VOLUME X****ISSUE I**

**QUARTERLY JOURNAL  
OF THE  
ALL INDIA CENTRAL LAND DEVELOPMENT  
BANKS CO-OPERATIVE UNION LTD.**

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SEPTEMBER - 1971

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A few copies of the printed book "Chapters and Recommendations relating to Land Development Banks and Agricultural Refinance Corporation from the Report of the Rural Credit Review Committee" are available with the Union. For supply of copies orders may be placed with the Union. Each copy is priced Rs. 2-00.

Few copies of the proceedings of the Seminar of the Chief Executives of the State Co-operative Land Mortgage Banks in India held in October, 1964 at Hyderabad along with the background notes on the subjects discussed at the Seminar are available with us. The subscribers to the Journal who require copies of the proceedings of the Seminar are requested to place their orders with the Union for supply of the copies. Each copy is priced at Rs. 5/-.

## EDITORIAL

### LONG-TERM LOANS FOR MINOR IRRIGATION PURPOSES.

In accordance with the new procedures suggested by the Reserve Bank of India for the rationalisation of loaning policies by land development banks, with effect from 1 October, 1971 applications for sinking of wells, and tube wells, deepening of existing wells, etc., should be sanctioned on the basis of sub-soil base maps prepared zone-wise, showing the existing wells and the proposed wells and the clearance given by the Ground Water Directorates of the State Government or private consultants from the Agricultural Refinance Corporation's panel, regarding the availability of water and the spacing of wells.

The need for the creation of adequate institutional and organisational support for groundwater development was recognised by the Government of India and during the second half of 1969, in order to review the groundwater situation in all parts of the country and to assess the difficulties in the way of development of this resource, a series of regional meetings was held under the auspices of the Ministry of Agriculture with the representatives of State Governments, the Geological Survey of India, the Agricultural Refinance Corporation and the Exploratory Tube wells Organisations at Hyderabad, Calcutta, Bombay, Jaipur and Delhi. The overriding impression obtained as a result of these discussions was that the existing arrangements for the location, development and scientific management of groundwater were grossly inadequate and needed to be strengthened considerably if the Fourth Plan targets of production were to be achieved.

The state Agriculture Ministers' Conference held in July 1970 also appreciated the crucial role which ground water has to play in the Fourth Plan. Of the total expected investment of Rs. 1250 crores in this Sector, as much as Rs. 650 crores are expected to be provided by cooperative banks, commercial banks and the Agricultural Refinance Corporation. The conference recognised the fact that if States were to take full advantage of the opportunities available for financing their groundwater development programmes, they would have immediately to strengthen their groundwater

organisations so that compact area development schemes could be drawn up on the basis of scientific hydrological data and executed in expeditious manner. The creation of adequate geohydrological, engineering and administrative arrangements within a single integrated groundwater organisation, which should form part of the agricultural complex in each State, therefore, became an urgent necessity and the Government of India have for the last one year been addressing State Governments to give serious consideration to the problem and set up properly staffed and integrated groundwater organisations as soon as possible.

In-spite of the seriousness of the problem and the urgency of the matter, most States do not appear to have set up adequately staffed Groundwater Directorates as yet. According to the information available to us, Groundwater Directorates seem to have been set up only in Maharashtra, Madhya Pradesh, Andhra Pradesh and Rajasthan and even here, the directorates are not adequately staffed or the full complement of sanctioned posts is not filled up. Unless State Governments take urgent action in this regard, there is the risk of the tempo of progress in minor irrigation works already created by the large volume of long term loans already issued by land development banks receiving a set back, for the only alternative agency to give clearance for loans for well-sinking, etc., viz. the Panel of experts maintained by the Agricultural Refinance Corporation is limited and banks will have to stand in the queue to get clearance for their loan applications. The representations made to the Reserve Bank by some of land development banks for a postponement of the implementation of the condition regarding obtaining clearance for availability of groundwater supply,etc., have not been successful and in the circumstances now prevailing there is a definite possibility of the progress in minor irrigation receiving a set back. We would, therefore, urge upon State Governments to consider this important matter with all the urgency it deserves and bring into being very soon integrated groundwater organisations with adequate staff, so that land development banks may continue financing minor irrigation works without hindrance or delay.

## EMERGING FEATURES CONCERNING SOME LENDING ASPECTS OF LONG TERM COOPERATIVE CREDIT FOR AGRICULTURE

By  
**SHRI UDAYBHANSINHJI**  
Chairman

*The All India Central Land Development Banks  
Cooperative Union Limited.*

1. Besides short term credit that a farmer requires for the purchase of inputs for raising crops e.g., seeds, fertilizers etc., and medium term financial accommodation for the purchase of cattle and for replacing of the fast-wearing assets on his farm or keeping them in proper trim, he also needs long term credit, ranging from 5 to 15 years to create capital assets on land. They include sinking of wells, installation of pumpsets and mechanised equipments on the farm, which would give him extra yield of an enduring nature from year to year. The agencies employed in long term lending for agriculture have mainly been the Co-operative Land Development Banks in the Country. The long term credit is provided by them on first mortgage of the borrower's land as a security for the loans.

2. The first land mortgage bank was started in 1920 in the undivided Punjab and later in 1925 and 1926 similar banks were constituted in the old Madras and Bombay provinces respectively, primarily to relieve the farmers of heavy burden of indebtedness, which was then the most pressing problem for the rural community. The pace of starting cooperative land mortgage banks in the country, however, remained slow. When the Rural Credit Survey Committee examined the position in 1951, only 6 States had their own land mortgage banks. This committee recommended the starting of such banks in the other States in the Country and also, in line with the emphasis on agricultural development in our plans, the switching over of their loaning operations to production oriented programmes. As a result of these recommendations, land mortgage banks acquired greater and special significance in the planned development of agriculture and began to grow from strength to strength rendering significant service to the agricultural community. In view of their increasing role in the development of agricultural land, the banks are lately termed land development banks.

3. Over the years, there has been a steady growth in the number of banks. By the end of the First Plan (1955-56) land mortgage banks were operating in 9 states and by the end of Second Plan (1956-61) in 15 states and union territories. Banks were started in 2 more states during 1961-62 and now there are land development banks operating in all the states and union territories excepting Nagaland, Meghalaya, Manipur, and Goa. In the union territory of Delhi, the Delhi State Cooperative Bank has also been doing long term lending. We have now 19 central land development banks financing farmers for agricultural development through over 1700 primary units functioning at taluka/block or district level.

4. There has also been a marked growth in the loan operations of banks. The quantum of loans advanced, which was Rs. 1.38 crores during 1950-51, the base year of the I Plan, rose to Rs. 2.86 crores during 1955-56, and to Rs. 58.4 crores during 1966-67. The figure went up to Rs. 91.5 crores during 1967-68, to Rs. 139.25 crores during 1968-69 and to Rs. 153.36 crores during 1969-70.

5. Following the recommendations of the Rural Credit Survey Committee, loans strictly for agricultural development were given priority and the banks reoriented their loaning policies for purposes leading to higher production from land. Gradually, over the years, therefore, progressively more loans for land development were being issued; and a more positive direction towards this objective was taken in 1967-68, when it was decided that land development banks should have advanced during the year at least 80 per cent of their loans for definite productive purposes, if they were to qualify for support to their debentures from public sector institutions, etc. From the year 1969-70 onwards, the banks were required to issue 90 per cent of their loans for this objective of which 70 per cent should be specifically identifiable productive purposes. In order to ensure more purposeful lending for agricultural development, the banks, on directions from the Reserve Bank of India, adopted more scientific policies, according to which the eligibility for a loan was to be determined with reference to the incremental income generated through the improvement and the financial outlay involved. If the incremental income generated was not adequate to meet the loan instalments which should be repaid within the life-time of the asset created or the period for which the benefits resulting from the development last, the loan proposal was considered uneconomic and infructuous and such proposals were to be discouraged.

6. With the entry of the Agricultural Refinance Corporation in the field of long term rural credit in 1963, a wider scope for credit flow from land development banks was created. Areas so far not covered within the purview of land development banks normal lending operations received particular attention and special schemes for their intensive development were drawn up by the land development banks and submitted to the Agricultural Refinance Corporation. Refinancing by the Agricultural Refinance Corporation assumes the form of subscription to special debentures floated by the land development banks for the schemes mentioned. In the case of minor irrigation the subscription upto 90 per cent and upto 75 per cent in the case of plantations etc., are received from the Agricultural Refinance Corporation and the balance is made up through the relevant State Governments. In the case of schemes involving small farmers the Agricultural Refinance Corporation subscribes cent percent to the issue of special debentures. With the growth of the type of lending just mentioned increasing emphasis was laid on the scientific and more sophisticated modes of advancing credit for agricultural development. Detailed studies of schemes are being undertaken which include technical feasibility assessment, Cost Benefit Survey, prospective cropping patterns after development, fixing up of periods of repayment of principal and interest on the basis of additional income expected to be generated during the each of the successive years following the land development etc. These modes and norms differ from those followed in the case of ordinary normal lending which is based on a general calculation of the repaying capacity of the borrower and the value of the

mortgage to secure the loan. The norms followed by the banks were considered adequate though they appeared to be less restrictive as compared to Agricultural Refinance Corporation loans. This created a peculiar condition in which farmers in areas served by Agricultural Refinance Corporation schemes preferred loans advanced in the ordinary course for the same purpose instead of those under the schemes. The result was a definite leaning towards normal finance from the land development banks to the detriment of finance under the Agricultural Refinance Corporation schemes. To remedy the situation, restriction was imposed to the effect that no loans should be advanced by the land development banks in areas where Agricultural Refinance Corporation schemes have been in operation for the same purpose until the implementation of the special scheme was completed. To bring about coordination between the two types of lending, it has further been suggested that each land development bank should adopt a programme for bringing its ordinary loan programme under the discipline of its type of schemes, a start being made with schemes relating to sinking of wells and installation of pump-sets. A thorough appraisal of loan proposals for each of the thousands of cases that a bank may encounter in the course of its loaning would not seem practical.

7. One more dimension has been added to the programme of land development banks' lending, with their agreement to finance agricultural projects with funds provided by the World Bank (I.D.A.).\* through the Government of India and the Agricultural Refinance Corporation. One of the important conditions generally incorporated in the project agreements with the I.D.A. has been that the concerned land development bank will adopt in its normal lending, criteria and terms and conditions which are not more favourable to the borrowers than those applicable to project lendings. It was understood that the terms and conditions governing special schemes such as the quantum of loan, the period of repayment, the rate of interest, etc. should also be made applicable to ordinary loans for similar purposes and in areas having similar geographical and agro-economic conditions. The following are some of the important conditions which should hereafter govern ordinary loaning operations of land development banks.

- i) The rate of interest charged to the ultimate borrower should be at least 9 per cent.
- ii) The borrower should be able to repay a well loan and loans for land levelling in 10 years and loans for tractors and pump-sets in 7 years. (These periods are assumed to be sufficient to enable borrowers to repay the loans with interest from the incremental income generated by the investment).
- iii) There should be a down payment by borrowers—20 per cent in the case of loans for tractors and 5 per cent in the case of loans for pumpsets, wells, bore wells and tube-wells, in addition to the share capital they have to contribute.
- iv) Applications for wells, deepening of wells, tube-wells, etc. should be sanctioned on the basis of subsoil water survey or

\* International Development Agency.

assessment base maps to be prepared accordingly zone-wise showing the existing wells and the proposed wells and the clearance to be given by the Groundwater Directorates of the State Governments or private consultants from the Agricultural Refinance Corporation panel, regarding the availability of water and the spacing of wells.

The application of these terms at the field level needs some consideration of the various relative aspects. The average borrowing rate of the money available to Land Development Banks has been continuously rising, and it does not permit even a reasonable margin of 3 per cent for operational costs, when the lending rate is around  $8\frac{1}{2}$  to  $8\frac{3}{4}$  per cent. The banks, constituted as they are with a democratic structure of borrowers at the base level, would find it preferable if they could get finance for lending at easier rate of interest than putting up lending rate to the farmers. However, the institutions can with some persuasion, prevail upon their members to agree to lending rate of not less than 9 per cent.

8. The mainstay of our Country's agriculture has been a season of well distributed good rains. The vagaries of monsoon have been quite proverbial. Every 3rd or 4th year is a lean one, besides the common incidence of scarcity or floods in many parts of the Country. Some built-in provision to meet the eventualities is, therefore, imperative while fixing the repayment schedule of loans. Considering the average small nature of agricultural holdings, generation of repaying capacity is necessarily slow and the period for well loans repayments could, therefore, be extended to 12 years. Similarly, the repayment period for pumpsets loans fixed at 7 years will be difficult of accomplishing. Linking of term loans strictly to the life of the asset in case of a pumping set would not be very realistic under prevailing conditions of our agriculture. The small size of holding which is quite common imposes a restriction on the optimum use of a mechanical equipment like the pumping set. The pumping set could, therefore, last for a much longer period than anticipated. Besides, with minor repairs and replacements, instances are found in many places of oil engines & pumpsets working satisfactorily for a much longer period than 7 years. If these considerations are taken into account one could safely extend the period of repayment for about two years so that the annual instalment works out to a smaller figure. Even in the case of tractors if a similar view is taken, it may help overall agricultural development.

9. Although the principle of insisting on down payment from borrowers may appear to be healthy and indicative of his stake in the improvement, one should not overlook the fact that basically the Indian farmer is a person of small means and even to subscribe to the share capital is difficult for him. This fact has been duly recognised and is reflected in the practice of deducting the share capital contribution from the loan amount in the case of short term, medium term and long term loans. With the average small size and the ceiling on holdings the mechanical farming through the use of tractors by individuals, only for their own farms would mostly be out of the question. The borrower for the tractor loan in order to make the full use of the equipment, will lend the use of the tractor to other farmers on agreed terms. Besides, a few small farmers would also get together and apply for a group loan for tractors. In all these cases insistence on 20 per cent down payment (over and above the 5 per cent

share capital) would be much too hard. Heavy commitment of down payment etc., and repayment of loan within 7 years would affect the farmers' entire economy and they may desist from undertaking a progressive enterprises.

10. A proper survey of sub-soil water resources would have its own importance in the sense that it would provide a data for assessing the water potential and its use. If there were adequate Ground-water Directorates equipped with requisite machinery in every State to undertake the work effectively and promptly, one would welcome the undertaking of a survey of this nature prior to sanctioning loans for wells. There is hardly any Directorate fully qualified for the purpose in position in any State who could readily give the necessary guidelines. The availability of qualified consultants for the purpose as approved by the Agricultural Refinance Corporation would also be very limited and if the banks were to wait in a queue to get the necessary clearance it would mean considerable lapse of time and loss of loaning business resulting in a overall set back to the agricultural development in the country.

11. The land development banks have over a period of years, substantially contributed to the establishment of assets on farms in the shape of wells, pumpsets, tractors etc. The investment involved would roughly range in the vicinity of Rs. 810 crores. Capital investment of the above magnitude in the Country's agricultural industry has been instrumental in developing the minor irrigation potential of the land and other agricultural developments which have substantially contributed to the rise in agricultural production besides helping to sustain the green revolution through inputs of long term credit. A certain tempo of growth has been established which calls for a close watch on factors supporting the upward trend. Although the Country as a whole has gone ahead in its agricultural production, certain regions and States have not been able to keep up the average pace of development. They are at various stages of development. Prescribing loaning standards with the number of restrictions all at a time in all places would tend to hinder the smooth flow of credit at a time when our agricultural development has reached its take off stage and needs increasing quantums of finance for further strides. If the application of all the new norms mentioned in this article results in a constraint on agricultural development, it might be difficult to retrieve the situation, and put the growth rate on an even scale.

12. The farmer who has by and large been weaned away from the private money lenders to the institutional agencies as a result of an effort covering a number of years, would again be driven to the unscrupulous class of lenders if he finds it difficult and inconvenient to obtain finance from the institutional sources. In a democratic set up one has to carry the section of people with him if the proposed reforms concerning them are to be successful. Otherwise, unnecessary resistance might develop and the objective howsoever good and laudable, it may be, would fall short of achievement.

## The Gujarat State Co-operative Land Development Bank Ltd.

489, Ashram Road, Navrangpura,  
AHMEDABAD-9.

Bank's salient loan performance in the sphere of agricultural development--

Branches	:	181
Membership	:	8.55 Lacs.
Share Capital (Paid-up)	:	Rs. 8.63 Crores.
Debentures raised	:	Rs. 125.48 Crores.
Reserve & other funds	:	Rs. 1.41 Crores.

### DETAILS OF TOTAL ADVANCES.

Sr. No.	Purpose	Number	Amount in Crores.
1.	New wells .. .. ..	1,76,232	44.34
2.	Repairs to wells .. .. ..	38,805	4.31
3.	Oil-engines and Electric-mortors .. .. ..	1,67,016	62.09
4.	Tractors .. .. ..	3,831	7.88
5.	Advances under Land Reforms Act .. .. ..	-	3.83
6.	Other purposes .. .. ..	-	15.47
TOTAL ADVANCES ..			187.92

UDAYBHANSINHJI  
Chairman.

MAGANBHAI R. PATEL  
Vice-Chairman.

H. M. JOSHI, I.A.S.,  
Managing Director.

## REPORT OF THE COMMITTEE ON DIFFERENTIAL INTEREST RATES

At the meeting with the Chairman|Custodians of the public sector banks on July 22, 1970, the Finance Minister suggested that lower interest rates should be charged to carefully selected low-income groups who deserve financial assistance for productive endeavour but cannot easily negotiate with banks, while higher interest rates might be charged to the more affluent borrowers. In pursuance of this suggestion, the Reserve Bank of India appointed in September 1970, a Committee under the Chairmanship of Dr. R. K. Hazari to examine the question of differential interest rates.

The terms of reference of the Committee were:

- (i) to review the scope and the extent to which differential interest rates are already being charged by banks to borrowers in each sector;
- (ii) to determine the criteria for identifying the borrowers who could be granted the benefit of a lower interest rate within each sector;
- (iii) to indicate the range of the differential that could be allowed in each sector; and
- (iv) to examine if any other concessions could be granted either in lieu of or in addition to lower interest rates.

The Committee submitted its report on May 21, 1971. Dr. Ashok Mitra, a member of the Committee did not agree with the majority Report and submitted a note of dissent.

### *Scope and Extent of Existing Differential Interest Rates.*

According to the majority Report, the present pattern of differential between the sectors, brought about through deliberate policy, has added a new dimension to the distribution of bank credit. The establishment of bank branches in hitherto unbanked and under-banked centres has helped in narrowing the difference between the interest rates prevailing in the organised and unorganised sectors. The extension of banking has also paved the way for easier availability of credit to an increasing segment of the population, both rural and urban. Though differential interest rates are being charged to certain selected priority sectors in recent years, there has been no attempt so far to assist weaker borrowers within any sector through reduced interest charges. In attempting to work out a scheme of intra-sectoral differential rates, the majority Report has proceeded on the implicit basic assumption that a reduction in interest to some borrowers should not adversely affect the earnings of banks. To cover up the fall in income because of the provision of selective cheaper credit and the rise in costs following from the administration of a number of small loan accounts, there should be a matching rise in the cost of credit extended to other borrowers, so that average net earning rate on advances could be maintained.

### *Criteria for Identification of Borrowers*

The majority Report has confined the scope of preferential interest rates to those sectors in which the economically handicapped are preponderant. Accordingly, it has suggested that borrowers from selected sectors viz., agriculture, small scale industry, small business, transport operators and professionals should be considered for preferential interest rates. Among the various norms that could be applied for identifying the borrowers in each of the selected sectors, the majority Report has selected the size of loan applied for as a relatively more objective criterion. As a measure of automaticity for the selection of small borrowers, the majority Report has suggested that the scheme of differential interest rates should be linked with the Credit Guarantee Scheme in respect of small loans to borrowers in the priority and neglected sectors.

### *Range of Differential*

As to the range of differential, the majority Report felt that too wide a range of differential would be inadvisable in that an unrealistically low minimum would cause stampede for bank funds, generating pressures which the banks may not be able to withstand. A sudden and sharp lowering of the rate at which funds are available from banks might cause a diversion of resources from the organised to the unorganised sector through re-lending. Besides, a very low rate at one end of the spectrum would involve charging of an unusually high rate to at least some section of borrowers at the other end, since the average rate is to continue unaltered.

Recognising the difficulties involved in stepping up interest rates much above the current maximum lending rates of banks, the majority Report has suggested that the lowest rate to be charged to any borrower (exclusive of any direct subsidies) should be approximately equal to the ratio that of cost of raising and using funds bears to total resources. With the present structure of interest rates, this, on an average, has been estimated to be about 8½ per cent. The majority Report has considered that a single cut-off point (setting apart the preferred borrowers from the others) rather than the slabs of credit for different interest rates would be in keeping with the fairly limited range it favours. Accordingly, it has recommended that the concessional rates of interest to the preferred classes of borrowers should vary between 8½—10 per cent. For all other borrowers, the banks could charge such interest rates as they consider appropriate subject to the limit set by the law and/or the Reserve Bank directive in this regard. The broad principle of what the traffic can bear and the overall consideration of maximising profitability could be kept in mind in arriving at decisions in individual cases.

The precise manner in which a differential interest rate structure could be fitted into the framework of the Guarantee Scheme would have to be worked out as practical experience is gained in the operation of the Credit Guarantee Scheme. As an initial exercise, the majority Report has recommended the following interest rates for different types of loans in each sector:

#### (1) Small Farmers

Crop input loans	.. . .. . ..	8½%
Term loans	.. . .. . ..	9 %

(2) Small Retail Traders						
(a) For traders on obtaining general hypothecation					9 %	
(b) For traders handling fertiliser distribution						
Key loans	..	..	..	..	8½%	
General hypothecation	..	..	..	..	9 %	
(3) Small Business Concerns			....			
Key loans	..	..	..	..	8½%	
General hypothecation	..	..	..	..	9 %	
(4) Transport Operators (including operators of rickshaws, taxis, etc.)						
For acquiring single vehicle (on hypothecation of vehicle):						
For rickshaw, cart, boat, scooter	..	..	..	..	8½%	
For other vehicles	..	..	..	..	9½%	
(5) Professionals and Self-employed			..	..	..	9½%
(6) Small Scale Industrial Concerns (The differential interest to be applicable only to loans totalling Rs. 2 lakhs or under, both working capital loans and term loans to be considered together for the purpose of the upper limit of loan size).						
Loans for Working Capital						
Key loans	..	..	..	..	..	9 %
For rickshaw, cart, boat, scooter	..	..	..	..	..	9½%
Term loans	..	..	..	..	..	10%

As a further measure of relief to small borrowers, it has recommended that no distinction be made in the interest rate as between secured (hypothecation) and unsecured advances. Where, however, the borrower is in a position to offer security, the lending bank should avail itself of the same.

#### *Other Concessions*

On the question of other concessions that could be granted either in lieu of or in addition to lower interest rates, the majority Report felt that the normal standards hitherto adopted by banks in regard to types of securities and margins could prove so restrictive as to offset the advantage of lower interest rates. To obviate this, it has recommended a series of concessions ranging from reduction of margin requirements to its complete abolition in deserving cases and in respect of fully secured credit as also accepting unconventional items as security and repayment holidays. These concessions could be applied not only to the categories of borrowers eligible for concessional interest rates but in other deserving cases as well. Dr. Mitra has generally endorsed these suggestions.

Dr. Mitra did not agree with the Committee's view-point that smallness of the size of the loan asked for should be the deciding criteria for application of differential interest rates. The proposed integration of the Credit Guarantee Scheme with differential rates

for the purpose of selection of small borrowers, according to him, is neither justifiable nor necessary. The structure of differential interest rates, if it has to make an impact, should be flexible and should have a fair number of cut-off points and of interest rates—in line with existing heterogeneity of economic groupings. Accordingly, he has recommended a structure of interest rates varying from one per cent at lowest to 20 per cent at the highest for commercial banks. This range of differential applicable to banks' non-agricultural credit could be so adjusted as to ensure a return of 10 per cent on aggregate advances. With regard to finance for agriculture, considering that a return of 6 per cent on aggregate advances would be adequate, he has proposed an interest rate structure ranging from half per cent (commitment charge) to 12 per cent.

(STATE BANK OF INDIA MONTHLY REVIEW,  
JULY 1971)

## The Punjab State Co-op. Land Mortgage Bank Ltd.

CHANDIGARH.

A BANK OF FARMERS

Caters to their long term credit requirements. Provides loans for the redemption and reclamation of land, liquidation of old debts, installation of pumpsets and tubewells, raising of orchards, purchase of farm machinery, construction of farm buildings and construction of water channels.

Carries out special schemes of Agricultural Refinance Corporation for the installation of tube-wells and water management.

The Bank has also entered into an agreement with the International Bank for the Reconstruction and Development for the import of tractors and agricultural machinery.

This Bank is your own Bank and is administered by your elected representatives. For further details, contact Manager of Primary Co-operative Land Mortgage Bank of your area.

GURBACHAN SINGH  
*President*

GURCHARAN SINGH  
*Managing Director.*

## NATIONAL POLICY FOR AGRICULTURAL INPUTS IN SEVENTIES

By Shri S. M. H. Burney

### *Agricultural Machinery*

The imperative need for a purposeful and large-scale farm mechanisation programme came to be realized during the Third Plan period and this was due in a large measure to adoption of improved farm practices based on technological advances. In the present context of increasing and intensifying agricultural production in the country, a great emphasis has been laid on rapid farm mechanization. The new technology has increased the demand for farm machinery and implements manifold. The existing domestic production and imports are totally inadequate.

The demand estimated for major items of agricultural machinery and implements towards the end of the IV and V Plan periods are indicated in the table below.

With a view to meeting the requirement of increasing demand of tractors and power tillers, Government have been making all possible efforts to accelerate and intensify domestic production and also through imports. At present, there are five manufacturers of tractors with a capacity of 30,000 tractors per annum. The production of tractors by these units was only 1,610 during 1963, rising to 7,613 in 1966, 13,799 in 1968 and 18,093 in 1969. In order to step up production of agricultural tractors various measures have been taken by Government and some of the important ones are:

- (i) Tractors have been included in the list of priority industries.
- (ii) All tractor manufacturers are being assisted by the grant of import licences for additional capital goods required for achieving their licensed capacity.

Besides the five existing units, two new units have recently been licensed with a total capacity of 16,000 numbers per annum and letter of intent has recently been issued to four new units and it is likely to be issued to another three units, altogether accounting for a further capacity of 71,000 numbers per annum. Thus, a capacity for 1,17,000 tractors per annum has been licensed/approved so far. Sixteen more applications are pending for consideration. The Government of India have sponsored a scheme to allow import of tractors as gift by Indians from their relations living abroad.

Demand Estimates for Agricultural Machinery for the IV and V Plan Periods (Tentative)

Machinery	Towards the end of IV Plan	Towards the end of V Plan
1. Wheeled tractors	90,000	1,20,000 to 1,40,000
2. Crawler tractors	1,000	1,500
3. Seed-cum-fertilizer drills	21,000	35,000
4. Planters with fertilizer attachments	9,500	12,000
5. Inter-cultivators	9,200	15,000
6. Rotavators	4,000	10,000
7. Combine harvesters, mounted, towed, and self-propelled	2,500	3,500
8. Paddy combines and binders	2,500	5000

A number of projects for intensive mechanization of agriculture are also being processed for assistance from the International Bank for Reconstruction & Development. One such project has been sanctioned for Gujarat and with the assistance of U.S. \$36 millions from the World Bank. Such projects are under preparation for the states of Punjab, Andhra Pradesh, Tamil Nadu, Mysore and Haryana.

With a view to avoiding harvesting losses, it has been decided to import labour-saving harvesting machines. To start with, about 75 numbers of combine harvesters have been imported for introduction, trial and development purposes. The present programme for the import of combine harvesters is of the order of 300 to 400.

\* \* \*

#### *Agricultural machinery/implements*

Institutional arrangements have been made for the distribution of agricultural implements and machinery through the Agro-Industries Corporations, set up as joint ventures of central and State governments. They organise distribution of tractors, agricultural equipment and spare parts and also set up centres for hiring, servicing and repairing of agricultural machinery. In order to assist the farmers with meagre resources to acquire agricultural machinery, these corporations will also take up sale of equipment and machinery on hire-purchase basis. Another field that will develop in future is custom service for agricultural machinery. In this sphere, the activities of the Agro- Industries Corporations could be supplemented by other agencies such as co-operatives of trained technicians, agricultural marketing cooperatives and centres set up by the Government.

Extracts from the article in (Fertilizer News, January 1971)

# The Andhra Pradesh State Co-operative Bank Ltd.

Troop Bazar, HYDERABAD-1.  
IS YOUR BANK

being the chief source of institutional finance for agricultural and other allied activities.

## OFFERS

Attractive rates of interest on

Savings Bank	....	4% Per annum
Fixed Deposits	....	4½% to 7½% per annum

Locker facilities at moderate charges available at Head Office and Vidyanagar Branch.

"Minors above 14 years can open and operate our Savings Bank Accounts".

MONTHLY PAYMENT OF INTEREST ON FIXED DEPOSITS  
TO RETIRED PERSONS

Temporary clean overdraft facilities to the Constituents.

## REMEMBER

DEPOSITS WITH THE BANK MEANS A BOOST TO  
AGRICULTURAL PRODUCTION.

Bank's working Capital Exceeds Rs. 29.00 Crores.

Please... contact our Head Office - (Phone: 44481 PBX).  
Or our Branches at :

Vidyanagar	....	Phone : 37492
Malakpet	....	Phone : 51983, and
Narayanaguda	....	Phone : 43209

at your earliest.

K. VENGAL REDDY,  
*President.*

K. R. SUBRAHMANYAN,  
*Managing Director.*

Telegrams : "LANDBANK"

Telephone : 785

## The Pondicherry State Co-operative Land Mortgage Bank Ltd.

NO.P.106, PONDICHERRY.

117, Lalbhadrur Street,

Pondicherry - 1.

The Bank is the Apex Co-operative institution for providing long-term credit to Agriculturists in the Union Territory of Pondicherry. It advances loans for all land development purposes like sinking of wells, purchase of Motor Pumpsets, oil engines, Tractor and trailers and also for other Agricultural Machinery. The debentures issued by the bank are secured by the first mortgage of agricultural land and are guaranteed by the Government of India.

Loans are issued carrying 8 per cent interest to the ultimate borrower.

AS ON 30TH JUNE 1971

1. Paid up share capital .. ..	Rs. 8,13,843.00
2. Loans advanced so far by the bank	Rs. 56,35,730.00
3. Loans outstanding .. ..	Rs. 47,86,998.15
4. Debenture Floatation:	
(a) Ordinary .. ..	Rs. 41,48,000.00
(b) Rural .. ..	Rs. 2,000.00

For further particulars please write to us or contact in person.

S. VENKATACHALAPATHY  
REDDIAR,  
*President.*

S. SUBRAMANIA PILLAI,  
B.A.  
*Secretary.*

**EXTRACTS FROM THE ANNUAL REPORT OF  
THE DEPARTMENT OF CO-OPERATION,  
GOVERNMENT OF INDIA, FOR THE  
YEAR 1970-71.**

*Long-term Co-operative Credit*

Long-term development finance to farmers for investment in agriculture is mainly provided by the co-operative land development banks. The purposes for which these banks advance loans include land development, minor irrigation and purchase of expensive farm machinery. These banks function in all States (except Nagaland) through a net-work of about 1250 primary land development banks/branches.

There has been a phenomenal growth in the loaning operations of the land development banks during the past decade. Their total loan disbursement increased from Rs. 1.30 crores in 1950-51 to Rs. 11.62 crores in 1960-61 and over Rs. 148.00 crores in 1968-69 and slightly exceeded Rs. 155 crores during 1969-70. During 1970-71, the loaning operations of these banks would be still higher.

The principal source for raising funds for loaning by the land development banks is through floatation of ordinary debentures in the market. During 1969-70,\* these banks floated ordinary debentures to the extent of Rs. 118.29 crores which exceeded the annual target by Rs. 5.29 crores. The programme of 1970-71\* is Rs. 139.20 crores. The major investors in these debentures have been the Commercial Banks, LIC, State Bank of India, RBI, Co-operative Banks and the Government. During 1969-70\*, the Commercial Banks provided support amounting to Rs. 31.66 crores which formed nearly 28 per cent of the total investment. The Central and State Governments also supplemented the resources made available by institutional agencies. During 1969-70\*, the Central Government invested a sum of Rs. 14 crores. In the year 1970-71\*, a sum of Rs. 17 crores has been invested.

The loaning policies and procedures of land development banks are being rationalised so as to accord priority to agricultural production needs. Determination of loan eligibility is being re-aligned to assessment of incremental income rather than the security offered for loans. The principles followed for land valuation by applying multiple of land revenue are being liberalised taking into account the value of land after the proposed development and also on the basis of systematic cost benefit surveys. Procedure for application of loans is also being simplified to avoid delays. It is hoped that the reoriented policies and procedures of land development banks would serve the agricultural production programme more efficiently.

Though the overdues in the long-term loaning programme are relatively less as compared to the short-term and medium-term credit, the accumulation of overdues in some States, particularly in Assam, Bihar,

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\* Financial year.

Madhya Pradesh, Mysore, Himachal Pradesh and West Bengal where the percentage of overdues to demand at primary level exceeded 30 per cent as on 30 June 1970 is a disquieting development. The higher overdues of the land development banks are partly due to the rapid expansion in the loaning programmes without commensurate measures to liquidate the past overdues and partly due to administrative and managerial weaknesses. The State Governments have already been advised to initiate effective measures for tackling this problem. Some of the banks have initiated steps to bring down the overdues by improving their recovery performance. In Rajasthan the percentage of overdue to demand which as on 30 June 1969 was 44.52 per cent was brought down to 28.60 per cent as on 30 June 1970 by organising drives for collection, utilising the opportunity provided by a good harvest.

The land development banks are making earnest efforts to strengthen the administrative arrangements to keep pace with the rapid expansion of their loaning operations. To improve the operational efficiency of these banks, some of the State Governments have already instituted common cadres of key personnel for land development banks. Some of the land development banks have also recruited additional technical staff for formulation of integrated agricultural development projects and also for technical servicing of loans.

#### *Agricultural Refinance Corporation*

The Agricultural Refinance Corporation supplements the resources of land development banks. During the year 1968-69, substantial progress was recorded in sanctioning of integrated agricultural development projects by the Agricultural Refinance Corporation. In the six years from its inception to the end of 1968-69, the Corporation sanctioned 233 projects. During 1969-70 alone, the Corporation sanctioned 142 more schemes. The total number of schemes sanctioned by the Corporation upto 30th June 1970 was 371 and the outlay involved in them was Rs. 254.51 crores of which the Corporation's commitment amounted to Rs. 214.89 crores. 261 schemes representing about 70 per cent, of the total number of schemes involving a total financial outlay of Rs. 224.37 crores (forming, about 86 per cent of the total outlay on all schemes) were operated through cooperative land development banks.

The disbursement made by the Corporation during 1969-70 amounted to Rs. 28.60 crores as against Rs. 17.84 crores during the previous year and Rs. 30.49 crores during the first six years of Corporation's working ending 30 June 1969. The total disbursement made by the Corporation upto 30 June 1970, aggregated to Rs. 59.09 crores of which Rs. 54.60 crores i.e. 92 per cent were accounted for by the central land development banks.

The Agricultural Refinance Corporation is obtaining assistance from the International Bank for Reconstruction and Development through its affiliate, the International Development Association. Agricultural credit projects, in this behalf, for the States of Gujarat and Punjab have already been finalised and some more other states were under consideration.



### *Co-operative Credit for Small Farmers*

One of the main objectives of the Fourth Plan is to extend the benefit of development to the smaller cultivators and the under-privileged sectors of the rural population who constitute the major percentage of the rural community. To enable small farmers to participate in the new technology, emphasis has been placed on reorientation of the loaning policies and procedures of cooperative institutions. The co-operatives have been advised to adopt the following measures:

- (a) If the resources available to a cooperative are inadequate to meet the requirements of all its members, attempts will be made to ensure that the needs of small cultivators are met adequately on a priority basis.
- (b) Larger cultivators will be called upon to contribute relatively higher proportion of their borrowings towards share capital.
- (c) The crop loans system should be effectively implemented.
- (d) The land development banks have to adopt liberalized procedures instead of evaluation of landed property offered as security, issue of joint loans for groups of small cultivators and advance credit on the basis of incremental income instead of value of security and fix a repayment schedule in accordance with the repaying capacity of the small cultivators.
- (e) A larger volume of long-term credit should be made available to small farmers from land development banks by encouraging the bigger cultivators to avail of medium-term credit for investment in agriculture.

45 out of 46 districts have been selected for setting up the new institutions of Small Farmers Development Agencies. These agencies will identify the problems of small but potentially viable farmers in their area of operation, prepare appropriate programmes, ensure availability of inputs, services and evaluate the progress from time to time. The existing institutions would be utilised for the provision of agricultural credit. To stimulate the flow of co-operative credit to the small farmers, the agencies will provide grants to central co-operative banks, primary credit societies and co-operative land development banks for building special funds to cover risks. Special assistance to managerial and supervisory staff would also be provided by these agencies. In addition, 32 projects have been sanctioned as on 31st March, 1971, out of the 41 projects proposed for the benefit of the larger class of marginal farmers and agricultural labourers. Under this project for the marginal farmers and agricultural labourers, the accent is on the provision of supplementary occupations and other employment opportunities and the projects are primarily market-based. In these projects also, it is envisaged that provision of credit through the co-operatives would be stepped up for the gainful economic activities of this under-privileged class. By utilising the financial support of Rs. 115 crores provided in the Fourth Plan, it is expected to generate institutional support of the order of Rs. 300/- crores, comprising short-term credit of Rs. 100 crores per annum and medium and long-term credit of Rs. 200 crores during the Fourth Plan period.

The co-operatives are adopting a new and liberal approach to credit by placing the accent on production potential for extension of credit instead of the value of security. The small cultivators would thus be provided with credit according to the requirements of their production programme and subject to their repaying capacity; inputs would be supplied, as far as possible, in kind. For short-term production loans and for medium-term loans for certain purposes and upto certain limits, no security would be required. In the case of long-term credit, the basis for loaning will be the additional income that the new investment will generate. Joint loans are also being given by co-operatives to assist groups of small farmers for creation of common facilities like wells. To encourage the flow of credit for small cultivators for production purposes, the Government have been as a Plan scheme, giving grants to co-operative banks and societies for creation of special bad debt reserves. The Agricultural Refinance Corporation had also decided to extend 100 per cent refinance to the schemes in the areas covered by the small farmers development agencies. As mentioned in the paragraphs above, the Reserve Bank has announced certain concessions in extending loans from its Long-term Operations Fund to enable State Governments to participate in the share capital of co-operative institutions in these areas.

#### *Cadres for key personnel*

The co-operative institutions require adequate competent and trained personnel in managerial and technical positions to enable them to function efficiently and effectively. Institution of common cadres at various levels and for the different classes of co-operative institutions continued to receive emphasis. State Governments have been advised to make statutory provision for constitution of such cadres to be operated by State Co-operative Banks|Central Co-operative Banks and Central Land Development Banks|Primary Land Development Banks. States of Orissa, Madhya Pradesh, Maharashtra, Mysore and Punjab have progressed in this respect.

A few copies of the printed book "Chapters and Recommendations relating to Land Development Banks and Agricultural Refinance Corporation from the Report of the Rural Credit Review Committee" are available with the Union. For supply of copies orders may be placed with the Union. Each copy is priced Rs. 2-00.

# THE MYSORE STATE CO-OPERATIVE LAND DEVELOPMENT BANK LTD.,

Post Box No. 1711, Albert Victor Road, Fort,  
BANGALORE-18.

Grams : "MYLANDBANK"

Phone Nos : 29208  
29209

B. S. VISHWANATHAN, M.L.C.,  
*President.*

—) 000 (—

Authorised share capital.	..	..	Rs.	500.00	lakhs
Paid-up share capital	..	..	Rs.	322.33	"
Debentures in circulation	..	..	Rs.	4,902.56	"
Loans outstanding	..	..	Rs.	4,328.66	"
Investments	..	..	Rs.	1,109.53	"

The payment of interest and repayment of principal of Debentures of the Bank are guaranteed by the Government of Mysore.

High lights of loan disbursement from the inception of the Bank up to 30th June 1971 are :—

<i>Rs. in lakhs</i>					
1.	Sinking of irrigation wells	..	..	1,876.48	
2.	Installation of pumpsets	..	..	316.01	
3.	Land levelling under irrigation projects	..	..	490.00	
4.	Purchase of tractors	..	..	85.25	
5.	Horticultural Schemes	..	..	140.89	
6.	Land improvement (general)	..	..	2,379.02	
7.	Minor Irrigation schemes (A.R.C.)	..	..	145.03	
<hr/>					
TOTAL : ..					
5,432.68					

V. K. CHINMULGUND,  
B. SC. (AGRI), (HONS.), G.D.C. & A.,  
Secretary.

JAYAKUMAR ANAGOL,  
I.A.S.  
Managing Director.

## Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd., Jaipur.

	As on 30.6.71.
1. Authorised Share Capital	Rs. 250.00 lacs
2. Paid-up Share Capital	Rs. 107.07 lacs
3. Loans outstanding	Rs. 1193.14 lacs
4. Debentures floated (Ordinary)	Rs. 995.08 lacs
5. " " (Plan)	Rs. 179.05 lacs
6. Sinking fund investments.	Rs. 112.01 lacs

This Bank is an Apex Institution advancing long-term loans to the agriculturists through 35 Primary Land Development Banks in the State. Loans are given mostly for wells, pumpsets, and tractors. The maximum limit of loan that could be advanced to an individual is Rs. 25,000/- whereas for tractors this limit is Rs. 30,000/-. The period of repayment is 5 to 15 years. The rate of interest charged from the cultivators is 9½%. Govindgarh (Jaipur), Shahapura (Jaipur), Ramgarh Kathoomar (Alwar), Sangod (Kota), Nadbai and Rajakhera (Bharatpur) Sawaimadhopur (Sawaimadhopur) and Tonk (Tonk) Minor Irrigation Schemes and one scheme of Land Reclamation at Itawa (Kota) for Rs. 7.80 crores have been taken in hand for execution with refinance facilities from Agricultural Refinance Corporation, Bombay, and the State Government.

For details please contact the nearest Primary Land Development Bank or the undersigned.

NARAIN CHATURVEDI  
*Chairman.*

S. K. MATHUR  
*General Manager.*

07.9691

## GROUND WATER EXPERTS MEET

A high level consultative meeting of Ground Water experts was held on July 29, 1971 at New Delhi in the Conference room of the Rural Electrification Corporation. Shri B. Venkhatappaiah, Chairman, REC presided. Shri B. B. Vohra, Chairman, Central Ground Water Board and Joint Secretary, Department of Agriculture, Shri A. F. Couto, Director, Ministry of Irrigation & Power Shri J. K. Jain, Joint Commissioner (MI) Department of Agriculture, Shri R. Venkataraman, Chief Geologist, Government of Maharashtra, Dr. B. P. Radhakrishna, Director, Department of Mines and Geology, Government of Mysore and Dr. K. V. Raghava Rao, Supdt. Geologist, Central Ground Water Board participated in this meeting. From the Corporation, the meeting was attended by Managing Director, Technical Directors and Secretary besides other officials of the Project Division in the Corporation. The Meeting reviewed the structure of existing organisation at the Centre and States, procedures etc. for ground water investigations in relation to rural electrification projects which came up for consideration of the REC for financial assistance. A brief resume of the important conclusions is given below:

The rural electrification schemes which are financed by REC are essentially aimed at energisation of pumpsets. As such, the revenues arising from the agricultural loans have a vital bearing on the financial viability and hence of economic soundness of these schemes. The Corporation is thus vitally concerned with both the geological occurrence and economic adequacy of the water available for agricultural use in the area covered by schemes which it finances. Nevertheless, it is also true that since REC is not directly financing either the digging of a well or the installation of a pumpset, its interest in regard to ground water availability is obviously at the second or third remove as compared to financing agencies like Agricultural Refinance Corporation or Agricultural Finance Corporation, Land Development Banks, Commercial Banks etc., which provide financial assistance to the farmers for digging of wells and/or installation of pumpsets. Even so, REC is concerned with, and has, therefore, to be satisfied about the adequacy of water in the wells the energisation of which is envisaged in the schemes it finances since the financial viability of the scheme would largely rest on revenues arising from energisation of pumpsets. REC's concern is even more in cases where a scheme includes new wells. In this context, it was felt that it would be desirable if REC's financing programmes were matched by provision of adequate credit facilities in the project areas for the purposes of improving the existing wells, digging new wells and for purchase of pumpsets by the farmers. This, the experts felt would ensure that the investments made by REC for extention of electricity in rural areas are fully utilised. It was also felt that the farmers should be educated in the optimum utilisation of ground water resources as well as improved farm practices and the most efficient possible cropping patterns.

In the context of the REC's policies regarding financing of rural electrification programmes, the experts felt that an ideal proposition would be to obtain yield certificates in respect of all the wells proposed

under a given scheme. It was, however, also the consensus that this may not be immediately practicable in view of the inadequate arrangements in regard to ground water investigations in the States. An insistence on yield certificates for each well individually, it was felt would hold back the programme for energisation of wells for which there is a great need and demand in the country. The experts, therefore, suggested that it would be sufficient if the Corporation obtained a technical opinion from the appropriate State authority in respect of net withdrawal potential from a basin covered by each rural electrification scheme to be financed by the Corporation. Such an expert opinion could be obtained on the basis of investigations of select wells in the project area. It was also suggested that while it may neither be practicable nor necessary for the Corporation to give detailed instructions regarding the format and the content of such a technical advise|opinion the Corporation could indicate broad guidelines for the format and certain essential features|details which should be included in the technical opinion sought from the State authorities prior to the approval of a scheme. Such an expert opinion should indicate, to the satisfaction of the Corporation, that sufficient ground water potential exists in the project area to sustain the operation of the specified number of the electrically driven pumpsets with the given HP as envisaged in the scheme.

It was also pointed out at the meeting that ground water organisations had either come into existence or were in the formative stages in all the States and therefore, the necessary expertise to provide the requisite expert opinion for the Corporation should not present any serious difficulty. In the States where the ground water organisation was not strong enough at present the State Governments may be approached at the appropriate level for utilising the available expert hydro-geologists in the States for this purpose. The experts-meet also suggested that the Corporation in selective cases, might make use of individual consultants for specific area investigations. Besides, where the ARC had undertaken detailed investigations, these, the experts, opined, could be made use of. It was further suggested at the meeting that the Corporation might usefully make an evaluation of the adequacy or otherwise of the present procedures in respect of ground water investigation in respect of select schemes after they have been in operation for sometime. Such an evaluation, it was felt, could pinpoint areas of weaknesses in the existing procedures to enable the Corporation to take appropriate remedial measures.

The experts also suggested that the Corporation should make periodical statistical checks by ensuring proper feed back of essential information relating to number of wells energised, the capacity of pumps installed and the actual hours of operation etc. As the Corporation is concerned essentially with the economic viability of the projects financed by it which in turn depends on the existence of adequate ground water to sustain sufficient number of hours of operation of pumpsets for withdrawal of water for irrigation purposes necessary measures should be taken by the Corporation to ensure that the State Electricity Boards sought and obtained the cooperation of the existing ground water organisations in the respective States even at the stage of formulation of the projects to be sponsored by them for financial assistance from the Corporation.

*From: REC. Bulletin—August 71*

## STEPS FOR IMPROVING UTILISATION FACTOR OF AGRICULTURAL PUMPING

Addressing the Second Conference on Standardisation of Specifications and Construction Practices in rural electrification, Shri B. Venkatappiah, Chairman, REC emphasised the need for improving the utilisation factor of agricultural pumping and said that possibilities of rationalising load development to the extent possible in the irrigation and agricultural sector should be explored. The Chairman in his address outlined a number of possibilities for improving the utilisation factor. In this connection he said that a single well or tube-well could meet the combined demands of water on the part of a certain number of small farmers owning one or two hectares each. For example, if five small farmers who individually would have to use pumpsets of 4 HP each, combine resources and services in respect of a total area of 20 acres, a single pumpset of 7.5 to 10 HP would probably satisfy all the demands. While there would be substantial reduction in the power equipment connected, the utilisation of connected load would also increase two-fold or three-fold.

Another alternative suggested by the Chairman was that State Governments may put up large tubewells to cater to sizeable areas. This alternative, he said, has already been adopted in some States and would be beneficial only if the complementary operation of distribution of water is conducted efficiently, cheaply and honestly. He also indicated that cooperative societies may be established to serve the demands of 30 or 40 members who possess small holdings.

In areas where the water supply is not too plentiful, the distribution system, he said, could be extended to supply points of all individual wells and a few farmers could have a common mobile pumpset and use it by rotation. This, he said, would result in better utilisation of the pumpsets and more efficient power distribution in addition to bringing down the cost of investment for the individual farmers.

These, the Chairman said, are only a few of the possibilities which seem to arise in regard to the complex relationship between power, water and the farmer. He emphasised, the economy involved in each such rational change in the pattern of utilisation of power and said that economy in the larger context would also imply a better return on financial returns not only for the farmers but also for the State Electricity Boards.

From: R.E.C. Bulletin—July 71

**The Madhya Pradesh Rajya Sahakari  
Bhoomi Vikas Bank Simit.  
B H O P A L - 1**

Grams : KISANBANK

Phone : 3241

*President :*  
Shri TARA CHAND AGRAWAL

*Vice President :*  
Shri ABHAY SINGH

		<i>As On</i>	30-6-1970	30.6.1971
		(Rs. in lakhs)		
1.	Paid up share capital .. ..	109.28	130.98	
2.	Reserve Fund and other funds ..	26.82	28.17	
3.	Debentures in circulation .. ..	1588.80	2160.52	
4.	Loans to Primary Land Development Banks .. .. ..	1601.01	1993.65	
5.	Working capital .. .. ..	2030.54	2480.67	
6.	Annual Profit .. .. ..	19.51	20.63	

The Bank advance loans to agriculturists through its affiliated 43 district Land Development Banks for development of land, construction of wells, purchase of oil engines, pumpsets, tractors etc.

M.L.SONI  
*Manager*

S. N. BISARYA  
*Managing Directors*

**The  
Gujarat State Co-operative Bank Ltd.**

Sahakar Bhavan, Relief Road,  
P. B. No. 302,  
AHMEDABAD

Telephone : 26293-General

Telegrams : "APEXBANK"

Mg. Director: 25917

Shri Maganbhai R. Patel	:	<i>Chairman.</i>
Shri Jamiyatram K. Modi	:	<i>Vice-Chairman.</i>

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As on 30-6-1971

Paid-up Share Capital .. .. ..	Rs. 279 lacs
Reserve & Other Funds .. .. ..	Rs. 458 lacs
Total Deposits .. .. ..	Rs. 2930 lacs
Working Capital .. .. ..	Rs. 6959 lacs

The Bank offers attractive rates of interest on deposits and finances agricultural and industrial activities run on Co-operative basis. It also provides remittance facilities on all important centres in the State and outside and transacts all kinds of banking business. Lockers are available in Bank's premises.

Invest all your savings with us.

**C. K. PATEL,**  
*Managing Director.*

## KERALA CO-OPERATIVE CENTRAL LAND MORTGAGE BANK LIMITED

Registered on 4-10-1956

Telegram : "LANDBANK"  
Phone : 2252.

P. B. No. 56,  
Trivandrum I.

**President : Shri G. S. NEELAKANTAN NAIR**  
**Authorised Capital Rs. 1,00,00,000**

1. Paid up share capital	Rs. 59.88 lakhs	(As on 30-6-'71)
2. Statutory Reserve Fund and other Reserves.	Rs. 25.65 lakhs	"
3. Debentures in circulation	Rs. 867.77 lakhs	"
4. Loans outstanding.	Rs. 732.22 lakhs	"
5. Sinking Fund investments.	Rs. 214.20 lakhs	"

It is the Apex institution for Long Term Agricultural Credit in Kerala State largely supported by the State Government. It advances loans to agriculturists through a net work of Primary Banks.

Ordinary Loans Advanced for Permanent Land Improvement.  
Minor Irrigation Loans given top priority.

Special Development Loans given for :

1. Coffee Plantation in Wynad.
2. Cardamom Plantation in Wynad, Nelliampathi and High Ranges.
3. Sinking of wells and Purchase of Pumpsets in Palghat for irrigation of sugarcane.
4. Kayal Reclamation for coconut cultivation in Quilon and Alleppey Districts.
5. Coconut development scheme in Sandy Coastal tracts of Trivandrum District.
6. Neyyar Ayacut area development scheme in Trivandrum District.
7. Coconut Development scheme in Kunnamathoor taluk of Quilon District.
8. Coconut Development scheme, Kottuvally in Parur taluk, Ernakulam District.
9. Stabilisation of Paddy cultivation in Pokkali lands in Parur taluk of Ernakulam District.

Watch Dates of Starting New Schemes in other Districts. The Bank issues periodically ordinary debentures for 10-15 years and Rural Debentures for 7 years on attractive rates of Interest. The debentures carry the guarantee of the State Government. They are Trustee securities and are also approved securities.

R.M Kumar.  
Secretary.

## WORKING OF MEMBER BANKS

### (A) Haryana State Co-operative Land Mortgage Bank Limited 1969-1970.

The Haryana State Cooperative Land Mortgage Bank has completed another year of successful working. At the end of the year the bank had 23 affiliated primary banks and their total membership was 41,000. As on 30th June 1970, the paid-up share capital of the bank stood at Rs. 116.69 lacs of which Government contribution was Rs. 34.78 lacs. The reserve fund and other funds of the bank as on 30th June 1970 amounted to Rs. 5.84 lacs.

The bank floated during the year four issues of ordinary debentures to the extent of Rs. 405.00 lacs; it also floated special development debentures to the tune of Rs. 297.20 lacs.

As on 30th June 1970 debenture redemption fund investments of the bank amounted to Rs. 148.828 lacs.

Under the special development schemes, loans were advanced in seven project areas for sinking wells, tube-wells, construction of water channels and for depositing money with the Electricity Board for getting priority in electric connections. The period of loans depends upon the economic conditions in that area for example, in Karnal district where water table is high and income generation is quicker, the period is 7 years, whereas in Mohindragarh District where water table is low, the period is 10 years. The rate of interest on these loans is 8-1/4 per cent.

Recently a scheme for sinking 800 tubewells has been sanctioned for Nahar and Salhawas blocks of Rohtak District and sanction for another scheme for sinking 1900 wells and pumping sets in Dadri-I, Dadri-II and Loharu blocks is expected to be received very shortly. The financial outlay of all the schemes so far sanctioned by the Agricultural Refinance Corporation, Bombay is Rs. 1515 lacs.

During the year under report, another special scheme for financing the purchase of 10,000 tractors worth Rs. 25 crores was prepared and submitted to the authorities.

During the year the bank advanced loans amounting to Rs. 670.14 lacs, the purposewise classification of which is as follows:

<u>Purpose</u>	<u>(Amount Rs. in lacs)</u>
1. Purchase of tractors	97.64
2. Installation of tube wells	547.96
3. Purchase of land	0.28
4. Redemption of land	2.85
5. Construction of cattle shed	1.36
6. Grape vine cultivation	14.75
7. Levelling of land	5.30
	670.14

There were no overdues against the Primary Cooperative Land Mortgage Bank, but percentage of overdues against the individual borrowers of primary banks stood at 0.2 per cent as against 0.5 per cent of the last year.

The bank earned a net profit of Rs. 7.26 lacs during the year under review.

**(B) THE DELHI STATE CO-OPERATIVE BANK LTD.  
(1968-1969 and 1969-1970)**

*Land Development Banking Section*

The Bank has completed another year of its successful working as on 30th June 1969. The bank made a beginning during the year to float debentures on Government Guarantee to finance long term lending for development of agricultural land. The bank made good progress in this field of long-term lending for land development and by 30th June 1969 the bank advanced long-term loans to the tune of Rs. 19.39 lacs to individuals against mortgage of land and floated debentures for Rs. 11.70 lacs.

During 1969-70 the bank made further progress in this direction. A further sum of Rs. 18.82 was advanced under long-term loans for purchase of tractors, thrashers and farm machinery, installation of tube wells and pumping sets. As on 30 June 1970, the total of loans outstanding was Rs. 35.40 lacs.

Few copies of the proceedings of the Seminar of the Chief Executives of the State Co-operative Land Mortgage Banks in India held in October, 1964 at Hyderabad along with the background notes on the subjects discussed at the Seminar are available with us. The subscribers to the Journal who require copies of the proceedings of the Seminar are requested to place their orders with the Union for supply of the copies. Each copy is priced at Rs. 5/-.

## YOU.....THE FARMER

need "SOMETHING" to reap a good harvest  
and to strengthen the backbone of our country  
for 'NOTHING' is produced before 'SOMETHING'  
is propped up !

We, THE KERALA STATE CO-OPERATIVE BANK LTD.,  
are here to offer that 'SOMETHING'  
We make short and medium term loans available through  
our affiliated District Co-operative Banks at the Districts.

MAKE LIVING A COMFORTABLE ONE AND LET YOUR  
HARVEST BE A MILESTONE ON THE ROAD TO  
PROGRESS AND PROSPERITY !

BANK ON US ALWAYS FOR YOUR REQUIREMENTS

For further details, please call on us or write to us.

*—Our Progress at a glance —*

As on

	30.6.'70	30.6.'71
	(Rs. in lakhs)	
Share Capital and Reserves .. ..	209	261
Loans and advances outstanding .. ..	1511	1967
Working Capital .. .. ..	1706	2253

*Released by :*

**The Kerala State Co-operative Bank Ltd.**  
**TRIVANDRUM - I.**

**NEWS ITEMS :****(A) IDA LOAN TO TAMIL NADU AND HARYANA**

The International Development Association (IDA), the World Bank's soft-lending affiliate, has given two credits totalling \$60 million (Rs. 45 crores) for financing investments in minor irrigation, farm mechanisation and land levelling in Tamil Nadu and Haryana. The proposals were approved on 11 June 71.

A World Bank press release issued simultaneously in Washington says the credits will finance both foreign exchange costs on imports of tractors, harvester combines and other equipment and part of local currency expenditures.

The projects in the two States for which the credits have been given would lead to increased production of food-grains and other crops valued at Rs. 45 crores a year and higher incomes for 70,000 farmers in all.

The latest IDA credit are part of the Bank group's continuing efforts to support institutional credit programmes to enable farmers to make good use of new high-yielding varieties, fertilizer and irrigation facilities.

Three previous IDA credits are assisting similar agricultural programmes in Andhra Pradesh, Gujarat and Punjab.

A World Bank press release says that the projects in Tamil Nadu and Haryana, for which IDA credits have been given would result in increased production of foodgrains (500,000 tonnes) and other crops and in higher incomes to over 70,000 participating farmers in the two States.

The IDA credits totalling Rs. 45 crores would be channelled through the Agricultural Refinance Corporation (ARC) which, in turn, would route the funds through land development banks and participating commercial banks to individual borrowers on appropriate terms. IDA credits are interest-free and are repayable over 50 years including a 10 year grace period.

The total cost of the two projects in the two States is estimated at Rs. 80 crores. The IDA credits will finance all foreign exchange costs (over Rs. 25 crores) and part of local currency expenditure. The balance would be provided by ARC, land development banks and commercial banks, and farmers.

In Tamil Nadu, medium and long-term loans would be provided to about 50,000 farmers for the installation of about 7,000 small bore wells, 10,000 dugwells and 4,500 small and medium tubewells. About 4,000 electrical engines would be financed to pump water from existing wells. Land levelling would be undertaken on farmers within the command areas under the Parambikulam-Aliyar surface irrigation scheme in Coimbatore district. Investment in farm mechanisation will finance the import of about 1,500 tractors and tractor implements.

In Haryana, loans would be given to farmers for sinking about 11,000 shallow tubewells and the installation of 75 sprinkler irrigation sets. Investment in farm mechanisation includes imports of tractors, trailers, self-propelled harvesting combines and tractor-drawn harvesters. In all about 20,000 farmers will participate in the programmes.

In both the States, small farmers are to benefit from smaller down payments and longer maturities for some investment.

Of the IDA credits totalling 60 million dollars, 25 million dollars (Rs. 18.75 crores) is for Haryana and 35 million dollars (Rs. 26.25 crores) for Tamil Nadu.

## (B) THE TIRUCHENDUR CO-OP. LAND DEVELOPMENT BANK LTD. Tamil Nadu

### OPENING OF A BRANCH AT UNDANGUDI

The Tiruchendur Co-operative Land Development Bank, has opened a Branch at Udangudi on 21-8-1971. The Hon'ble Minister for Co-operation Thiru S. B. Aditanar, M.A., Bar-at-Law declared open the branch office.

The function was commenced with a procession around the village. Thiru M. Subbiah, B.Com. Hons. CAIIB. Joint Registrar Tirunelveli, welcomed the Hon'ble Minister with garlands. The Hon'ble Minister for Co-operation Thiru S. B. Aditanar, M.A., Bar-at-Law, Thiru K. P. Kandasamy, M.A., M.L.A., Sathangulam Assembly Constituency, Thiru M.S. Sivasamy, M.P., Tiruchendur Parliamentary Constituency were seated in a special Chariot in the procession and brought to the pandal.

The Hon'ble Minister for Co-operation Thiru S. B. Aditanar cut the tape and lighted the "Kuthuvilakku" in token of opening the branch office. The portrait of the late Chief Minister Thiru C. N. Annadurai was unveiled by the Hon'ble Minister for Co-operation. Similarly the portraits of the Hon'ble Chief Minister Thiru M. Karunanidhi, Hon'ble Minister for Co-operation and Thiruvalluvar were opened by Thiruvalargal K. P. Kandasamy, M.L.A., M. S. Sivasamy, M.P., and S. T. Aditan, B.A., B.L., M.L.C., respectively.

Thiru M. S. Sivasamy, M.P., presided over the function. Thiru K. P. Kandasamy, M.A., M.L.A. welcomed the Minister, the M.P., the M.L.C., officials and other public. Thiru A. Suyambulingam, Special Officer of the Bank presented a "greeting song" to the Hon'ble Minister.

The Hon'ble Minister for Co-operation Thiru S. B. Aditanar, M.A., Bar-at-Law, explained the functions of the lift irrigation Society, the linking of the Land Development Bank with that Society, the facilities available to ryots, and the expansion of concrete cultivation in the sandy area of the entire block. He also stressed that there are possibilities to raise three crops in a year and the ryots, may easily repay the loan with the income derived from the 3rd crop.

Afterwards Thiru S. T. Aditan, B.A.,B.L., M.L.C., Thiru P. Nedumaran, Chairman Panchayat Union, Alvarthirunagari. Thiru R. Narayanan, Deputy Registrar for Land Development Banks, Tirunelveli delivered a special address.

Thiru A. Suyabulingam, Special Officer of the Bank proposed the vote of thanks.

**(C) THE OTHER SIDE .... (from a news item from Bhopal, published in the Economic Times dated 18, August 71)**

Kumar Lal is a resident of a small village, four miles away from Bhopal. He owns about 12 acres of cultivable land. Last year a few peasants of a neighbouring village grew high yielding variety of wheat in their fields and reaped a bumper harvest ten quintals per acre. Lal was inspired.

He decides to take to the high yielding variety of wheat. But HYV requires a lot of water.

Kumar Lal plans to dig a well in his fields. But he has no money. He has heard about loans from banks. One cannot get a loan from a bank unless one submits a lot of documents. He starts collecting the documents. His application for a loan is ready. Still no documents.

He soon discovers that collecting documents is a costly affair. He won't get any documents unless he is prepared to bribe the officials concerned. He pays Rs. 25/- to the Patwari for obtaining Khasra on B-form. He pays Rs. 20/- for obtaining a no-dues certificate. After obtaining these two documents, he approaches a bank.

His tale of woes has not ended. More bribes, Rs. 15/- for a public enquiry, Rs. 25/- for a technical plan, Rs. 25/- for evaluation. Other sundry expenses, of course. In all, he spends Rs. 200/- before his application is actually entertained.

His application finally lands in the loan department of a bank. More difficulties. The officer concerned tells him that loans above Rs. 3,000/- have to be sanctioned by his superior.

Further delay. Kumar Lal is still hopeful of getting a loan in time. But a greater shock is in store for him. The higher authorities take their own time to scrutinise his application. Still more complications. Kumar Lal's village comes under an area which is not known for prompt recovery of loans. Hence loan disbursement is to be stopped forthwith in the locality.

Kumar Lal's dream of growing high yielding wheat is shattered for ever. In financial terms, a loss of Rs. 200 to Kumar Lal.

In anticipation of a loan, he had started digging a well and had spent about Rs. 2,000/- . Torrential rains wash out his half-dug well.

### MAHARASHTRA GIVES THE LEAD

Maharashtra can legitimately boast of the most progressive Co-operative movement in the country.

New developments in Co-operation originate in Maharashtra. After their success in the state, they spread to other parts of the country. The following could well serve as a few glorious examples :

1. The crop loan system of financing agriculture.
2. Co-operative Sugar Factories laying the foundation of many other Co-operative processing Societies.
3. Monopoly procurement of Foodgrains through the Co-ordinated activities of marketing, processing and credit Co-operatives.
4. Mutual Arrangement Scheme for Co-operative Banks.
5. First Co-operative Engineering Society manufacturing agricultural implements.
6. A well-equipped Co-operative Hospital.

#### *THE SPIRIT BEHIND THESE PIONEERING ACTIVITIES—*

## The Maharashtra State Co-operative Bank Ltd.

*Head Office :*

9, Bakehouse Lane, Fort,  
BOMBAY-1.



*Regional Office :*

Mahal,  
NAGPUR.

#### **Financial Position**

			<b>As on 30.6.1971</b>
Capital and Reserves	above ..		Rs. 1885 lakhs
Total Deposits	.. .. ..		Rs. 9332 lakhs
Total Advances	.. .. ..		Rs. 14189 lakhs
Total Reserves	.. .. ..		Rs. 19551 lakhs

*Apex of the integrated Co-operative credit structure with over  
1000 offices of Central and Urban Co-operative Banks  
in Maharashtra.*

**DR. W.C. SHRISHRIMAL,**  
*Managing Director.*

**VASANTARAO DADA PATIL,**  
*Chairman.*

# The Haryana State Co-operative Bank Limited,

(A Scheduled Bank)

BANK SQUARE — SECTOR 17-B,

**CHANDIGARH**

Gram: HARCOBANK	Phones :	28253
		25508
		27305

(Position as on 30.6.1971)

Paid up share capital	.. .. ..	Rs.	148.04 lakhs
Reserves and other funds	.. .. ..	Rs.	95.69 lakhs
Deposits	.. .. ..	Rs.	424.80 lakhs
Loans outstanding	.. .. ..	Rs.	1322.49 lakhs
Investments	.. .. ..	Rs.	123.32 lakhs
Working Capital	.. .. ..	Rs.	1554.83 lakhs
Interest on Savings Bank deposits	..	4½%	per annum
Interest on special savings bank deposits		6%	per annum
Interest on Term Deposits upto	..	8%	per annum

Attractive terms on Recurring Deposits.

For further details, please contact us.

B. L. TANWAR  
*General Manager*

INDRAJSINGH BENIWAL  
*President*

## RATIONALIZATION OF THE LOAN POLICIES AND PROCEDURES BY LAND DEVELOPMENT BANKS

R.B's Circular No. A.C.D. LDB 84|B1.71|72 dated 31 July 71

The Reserve Bank has been for some time past impressing upon the land development banks the need to rationalize their lending policies and procedures based on the production-oriented system of lending as only in that way the scarce long-term resources could be put to the optimum use and made to augment the productivity of land. A reference is invited in this connexion to our circular No. ACD. OPR. 6300/F1-68/69 dated 23 May 1969 enclosing detailed guidelines for adoption by the land development banks. It was envisaged that the eligibility for a loan should be determined with reference to repaying capacity arising out of the incremental income generated by the proposed development and the quantum of the loan with reference to the outlay on the development and not to the value of the hypotheca so that the element of 'ways and means advance' in the loan was eliminated in the accommodation provided. The banks were also advised to fix the period of the loan with reference to the repaying capacity of the borrower in such manner that it did not exceed the useful life of the asset created out of the loan and give up the practice of fixing a uniform period according to the purpose of the loan. The banks were requested to conduct studies in homogeneous and contiguous regions in their area with a view to evolving appropriate norms for outlay in respect of some of the common purposes for which long-term loans were generally sought. The studies were also intended to fix norms for repaying capacity having regard to the outlays and the cropping pattern. Though the need for the adoption of the reforms suggested in the guidelines was generally recognized and accepted by the banks for implementation from 1 October 1969, the progress in this regard has not been satisfactory for various reasons.

2. In the past two years, in particular, the Agricultural Refinance Corporation has sanctioned several schemes of minor irrigation, land levelling, farm mechanization etc. in most states. Recently, the World Bank has sanctioned similar schemes in some states to be financed by the Agricultural Refinance Corporation. The terms and conditions governing the loans under the schemes are determined after technical and economic appraisals and can be taken to indicate broadly the pattern of the conditions governing loans by the land development banks for similar purposes and under more or less similar geophysical conditions. The stipulation of concessional terms and conditions as compared with those prescribed under the schemes sanctioned by the Agricultural Refinance Corporation for similar purposes in more or less identical geophysical conditions is certainly not justified. There is, therefore, need for bringing about some uniformity in this behalf, especially taking into account the importance of agricultural development on sound lines and the optimum use of scarce long-term resources. Unless this is done, it is apprehended that the tendency which some land development banks appear to have developed of not accepting the schemes already sanctioned by the Agri-

cultural Refinance Corporation or not implementing them according to the phased programme or of even advancing loans out of the funds raised through ordinary or rural debentures in the scheme areas on more favourable terms without any technical or economic appraisal, might become more widespread.

3. The greatest achievement of the land development banks in the past few years is in the field of development of minor irrigation works so necessary for supporting the country-wide programme of utilizing high yielding varieties of seeds. Apart from the realisation by the banks themselves of the importance of according the highest priority to promote investment in minor irrigation, the Government of India contributed in no small measure to accelerate its development by requiring the banks to use their contribution to the debentures entirely for sinking new wells and fitting wells with pumpsets. In addition to the land development banks, commercial banks, central co-operative banks, some of the agro-industries corporations and the state governments have contributed not a little to the expansion of minor irrigation facilities. It is being increasingly recognized that further exploitation of underground water should be made with reference to its potential and without adversely affecting the availability of water in the existing wells so that the most profitable use of the water resources is made and over-exploitation of groundwater resources avoided.

4. The above approach will require a change in the staffing pattern in the land development banks. While the basic responsibility for technical appraisal has to be taken over by the groundwater directorates of the state governments, the banks have to equip themselves with staff who can assist in the appraisal of the technical and economic feasibility aspects of the different projects in the different areas e.g. irrigation engineers, hydrogeologists and agricultural economists. Simultaneously, the large quantitative expansion of long-term credit through the land development banks that has been provided for in the Fourth Plan has also necessitated the appointment of staff sufficient in number to handle the business as well as supervise the end use of credit closely and continuously. The operational costs of the banks have thus increased considerably and where the qualitative and quantitative expansion is not commensurate with the expansion of credit, the banks can ill afford to postpone this any longer. It is only by charging the borrower a sufficiently high rate of interest that the banks can hope to meet the higher costs of operation. It is thus necessary on the part of the land development banks to set up small technical divisions consisting of technical officers, including agricultural economists and also strengthen their staff for supervision. For this purpose, the banks cannot and should not place too much reliance on the government coming forward to subsidise the costs wholly or partly.

5. We may next deal with some of the operational problems in regard to the effective introduction of a production oriented system of lending by the land development banks. It is accepted that the period of the loans for purchase of machinery such as oil engines/electrical motors and pumpsets, tractors, powertillers etc. should not exceed the useful life of the asset created out of the loan. It is also recognised that the use of the machinery generally facilitates greater intensity of cultivation adding substantially to the income of the borrower from agriculture. It is equally important that

the capital investment is put to the maximum use so that the capacity of the machinery does not remain under-utilised as this may make the capital investment uneconomic and, therefore, a burden on the cultivator beyond his capacity to bear. Taking all these factors into account a limit has to be fixed for the period of the loans for investment in machinery and equipment. Loans for sinking of dugwells, dug-cum-bore wells or tube-wells and for land levelling and reclamation fall in a somewhat different category as the asset created lasts for a very long period and, in their case, the main considerations in determining the period are the additional repaying capacity generated and the maximum period for which the banks can get funds required for financing these developments. Even among the improvements of a more or less permanent character there are some like land levelling and bunding and reclamation of land where the increase in the income from the investment is of a somewhat lesser order than in the case of wells and consequently the former types of investments could justifiably be for longer periods than for the investments in the wells.

6. It is assumed that in the Fourth Plan period the land development banks would be able to raise Rs. 700 crores through debentures (excluding the special development debentures floated under the Agricultural Refinance Corporation schemes). This provision would meet about 75 per cent of the resources which the banks have represented that they would need in order to fulfil their lending programmes. Taking this aspect into account and also the well-recognized principle of lending that a loan should not meet cent per cent cost of a project, it appears necessary to insist upon the borrower having a stake of his own in the improvement. In other words, the borrower should be asked to contribute a reasonable proportion of the cost of the project. The contribution need not necessarily be in cash but can be in the form of his own labour or other services. Taking the co-operative character of the institutions into account, the contribution made by the borrower to the share capital of the bank has also to be reckoned towards his contribution to the project.

7. It is recognized that small farmers have to be assisted to improve their economic position by undertaking investments which would enhance the productive capacity of their small holdings. If the standard terms and conditions governing the loans from the land development banks to the more affluent class of farmers are applied to the loans to small farmers the latter will be denied loans and the opportunity to improve their condition. It is obvious that some concessions in the terms may have to be allowed in favour of the small farmers in the period of the loans so that the burden of the instalment of the loan is reduced in keeping with his smaller incremental income and also his own contribution to the cost of the project in keeping with his smaller capacity to save. The concession in the matter of period has, however, to be within the maximum prescribed by the life of the asset and the availability of long-term resources to the banks.

8. Thus the need to grant concessions in favour of the small farmer cannot be denied. But in order that these are extended not generally but only in exceptional cases and on merits, an objective definition of a small farmer is essential. To define a small farmer with reference only to the size of the holding without reference to climatic conditions, the nature of soil, the availability of irrigation

facilities or the prospects thereof, the nature of crops grown etc. will not be appropriate. In the ultimate analysis, the small farmer will have to be identified with reference to the income from agriculture and allied activities and the minimum cost of maintenance of an average farm family residing in the rural areas, all these in turn related to a minimum size of holdings of the small farmer. On this basis a small farmer may be defined broadly as one whose gross income from agriculture and allied activities (inclusive of the income from the proposed investment from the loan from the land development bank) does not exceed Rs. 2,400 per annum. For the grant of concessions indicated in para 7, the land development banks may proceed on the basis of the definition of a small farmer as above.

9. In the light of what has been stated above the land development banks are advised to modify their policy and procedures governing loans as indicated below:

- (i) Loans for minor irrigation works are now being sanctioned by the banks as individual loans each in isolation. In future, too, they could continue to be sanctioned as individual loans, but with reference to the elementary watershed to which they pertain. For this purpose, the individual applications could be sorted out and bunched together according to the subsoil waterzone to be exploited and a base map prepared for the zone showing the existing wells and the proposed wells according to the applications on hand. Having regard to the situation of the existing wells and availability of water the State Groundwater Directorate if it is well-established, or the state organization or department corresponding to the Groundwater Directorate, where the latter does not exist or is in its formative stages or private consultants from the panel of the Agricultural Refinance Corporation, should, in a general way, clear the bunch of applications concerned advising elimination by means principally of spacing between two wells. This will no doubt delay the disposal of individual applications while the sorting out and the bunching of the applications takes place and the State Groundwater Organization|Government Department|private consultants give general clearance. After receiving such general clearance, the land development bank should on its own, eliminate applications for wells which do not fall within the areas thus cleared. The general clearance would probably be able to indicate norms of size of wells, and consequently of expenditure. Perhaps, at this early stage the technical agency concerned could roughly indicate the cropping pattern because this must broadly be governed by the same considerations which govern the agency's recommendations on limitations of spacing.
- (ii) The procedure outlined above for new wells should also apply to loans for deepening of existing wells for in their case also the existence of adequate groundwater potential to sustain the programme of deepening the wells has to be carefully assessed.

- (iii) Loans for pumpsets may be provided ordinarily if the well fitted with the pumpset can sustain two crops on at least three acres of land. The minimum acreage has been suggested at three acres because on holdings smaller than the above, an oil engine or an electrical motor may not be put to the optimum use resulting in a substantial portion of the investment remaining idle and, therefore, infructuous. The cultivator may, in such cases, put his bullock power to much better use for drawing water from the well in addition to using it for normal agricultural operations. Further, with irrigation confined to three acres only, a cultivator may have to be dissuaded from borrowing for an engine|motor with a bigger horse power. The minimum acreage is suggested as a general rule, but banks will have the discretion to make exceptions depending upon the availability of water in the well, the intensity of cultivation and the nature of the crops grown. The reference to the minimum size of the holding made above should be taken to mean a compact holding and not the total holding of the beneficiary.
- (iv) Loans for dugwells, dug-cum-bore wells and tube wells should not ordinarily be for more than 10 years. Preferably, the period should be only 9 years. In the case of small farmers the loans could ordinarily be for 12 years but in very exceptional cases the period could be extended up to 15 years. The longer period in favour of small farmers would not, however, apply to tube-wells where the maximum period should be 10 years.
- (v) Loans for pumpsets alone operated by electrical motors or diesel engines should ordinarily be for only 7 years exception, however, being made in the case of small farmers where the period could be 8 years.
- (vi) Composite loans for wells and pumpsets should ordinarily be made for 9 years only but in the case of small farmers the period could be 10 years.
- (vii) Loans for tractors may not be sanctioned for more than 7 years. No exception need be made in favour of small farmers as tractors will be needed by the more substantial cultivators. Further, it should be ensured that the tractor purchased out of the loan will find work for a minimum of 1000 hours in a year or on 40 hectares of cropped area.
- (viii) The rate of interest on loans to the ultimate borrower may not be less than 9 per cent. In the federal structure the margin of about 3 per cent between the rate on the debentures and the rate to the ultimate borrower will be shared between the state land development bank and the primaries.
- (ix) In the case of loans for pumpsets operated by oil engine|electrical motor, the borrower should be required to contribute not less than 10 per cent to the cost of the investment inclusive of the contribution he makes to the share capital of the bank,

for the present. In other words, the quantum of the loan should be limited to 95 per cent of the total cost assuming that the ratio of share holding to borrowing is 1 : 20. The same proportion should apply also to loans for new wells and deepening of existing wells. However, in their case the borrower should be given the option to contribute his share, other than to the share capital of the bank, in the form of his labour.

(x) In the case of loans for tractors, power-tillers and other machinery and equipment costing more than Rs. 10,000, the borrower's contribution should be at least 20 per cent i.e. the quantum of the loan should be limited to 80 per cent of the cost of the machinery and equipment. This is on the assumption that the member will in addition contribute 5 per cent of the loan to the share capital of the bank. Besides, the bank should insist on the registration of the tractor with the R.T.O. and the insurance policy in respect of the tractor being taken in the joint names of the borrower and itself.

10. The question of reforming the loan policies and procedures on the lines indicated in para 9 was discussed in the meeting of the Standing Committee of the All-India Land Development Bank's Union held at Srinagar on 18 and 19 June 1971 and the consensus of opinion was to bring these reforms into effect from 1 October 1971. Therefore, a copy of this circular is being endorsed to the State land development banks for necessary action. We would request your co-operation in ensuring that the necessary changes in the loan policies and procedures are brought about so that all loaning by the banks from 1 October 1971 conforms to the pattern indicated in para 9. We would also urge the importance of the state government properly equipping the department concerned e.g. the Groundwater Directorate or the Agriculture Department pending the establishment or strengthening of the State Groundwater Directorate to assist the banks in assessing the groundwater potential on the lines envisaged in para 9(i) above.

11. We do recognize that some practical difficulties are likely to arise in implementing the suggestions made for the reorientation of the lending policies and procedures of land development banks in some states or in some pockets within a state. In such cases the banks concerned may carefully examine the problems that would arise in the implementation of the suggestions and communicate the same to us so that the need for relaxation from the norms suggested in para 9 could be considered. We may, however, emphasize that it is our intention to correlate the support to the ordinary debentures to be issued by the banks after 1 October 1971 with the extent to which it has rationalized its loan policies and procedures as outlined in para 9 above.

SERVICE WITH A SMILE  
to farmers

BY

## The Haryana State Co-operative Land Mortgage Bank Ltd.

CHANDIGARH

Do you need long term loan for increasing your agricultural production? If yes, please contact your nearest Primary Co-operative Land Mortgage Bank situated almost at every Tehsil Headquarter throughout the State. Loan is advanced for the installation of Tube-wells, Pumping Sets, Wells, Purchase of Tractors and for the purchase of other heavy agricultural machinery as well as other developmental works on very easy terms.

The Bank has made tremendous progress during the last 5 years.

Progress of the Bank at a glance:

			As. On 1.11.'66	As on 31.8.'71
			(Rs. in lakhs)	
1.	Share capital	.. .. ..	13.82	175.42
2.	Working capital	.. .. ..	152.68	2601.90
3.	Loan outstanding	.. .. ..	126.74	2272.33
4.	Debentures in circulation	.. .. ..	132.09	2394.65
5.	Debenture redemption fund investment		18.57	268.73
6.	Profits	.. .. .. ..	1.27	20.03

The rate of interest is 9% per annum at present.

SHEOKARAN SINGH, H.S.C.S. (I)  
Secretary.

Ch. CHANDA SINGH,  
MLA  
President.

# The Bihar State Co-operative Land Mortgage Bank Ltd.

BANK ROAD, PATNA-I.

(Established : 1957)

Grams : 'LANDBANK'	..	..	..	Telephones :	26466
					21867
					24344
					22582

Provides long-term credit for land improvement sinking of Tube-Well, purchase of pumping sets, Oil Engines, Electric Motors, Agricultural Machineries and Tractors.

				As on 30.6.71.
Number of branches	..	..	..	60
Paid-up Share Capital	..	..	..	Rs. 170 lakhs
Sinking Fund Investment	..	..	..	Rs. 132 "
Loans outstanding	..	..	..	Rs. 1454 "
Debentures in circulation	..	..	..	Rs. 1265 "

— PROMPTNESS IN SERVICE ASSURED —

TAPESHWAR SINGH,  
Chairman.

D. P. CHOUDHARY,  
Managing Director.

## THE ALL INDIA CENTRAL DEVELOPMENT BANKS COOPERATIVE UNION LIMITED

Proceedings of the Standing Committee meeting of the All India Central Land Development Banks Co-operative Union Ltd., held in the Conference Hall of Nedous Hotel, Srinagar, Jammu & Kashmir State, on 18th, 19th June 1971. The meeting continued on 21st June 1971 also at Gulmarg.

### PRESENT:

#### *Representatives of Member Banks:*

1. Shri Udaybhansinhji	Chairman
2. Shri Narain Chaturvedi	Vice-Chairman
3. Shri Sheo Mangal Singh	Vice-Chairman
4. Shri G. V. Chandrasekhara Reddy	President Andhra Pradesh Cooperative Central Land Mortgage Bank Ltd.
5. Shri Tapeshwar Singh	Chairman Bihar State Cooperative Land Mortgage Bank Ltd.
6. Shri Umraosingh Ahlawat	Director Haryana State Cooperative Land Mortgage Bank Ltd.
7. Shri Mohanlal Chauhan	President Himachal Pradesh Central Cooperative Land Mortgage Bank Ltd.
8. Shri Abdul Qayoom	Chairman Jammu & Kashmir Cooperative Central Land Development Bank Ltd.
9. Shri C. S. Neelakantan Nair	President Kerala Cooperative Central Land Mortgage Bank Ltd.
10. Shri B. S. Vishwanathan	President Mysore State Cooperative Land Development Bank Ltd.
11. Shri Umashankar Sabat	President Orissa State Cooperative Land Development Bank Ltd.
12. Shri S. Venkatachalapathy Reddiar	President Pondicherry State Cooperative Land Mortgage Bank Ltd.
13. Shri S. Gurbachan Singh	President Punjab State Cooperative Land Mortgage Bank Ltd.

14. Shri M. Shanmugam, M.L.A.	Chairman Tamil Nadu Cooperative State Land Development Bank Ltd.
15. Shri Anil K. Chatterjee	Chairman West Bengal Central Cooperative Land Mortgage Bank Ltd.
16. Shri Jasmat Singh Dhillon	President All India State Cooperative Banks' Federation. (Coopted Member)

*Special Invitees and Representatives of Reserve Bank of India.*

17. Shri P. N. Damry	Deputy Governor Reserve Bank of India
18. Dr. C. D. Datey	Chief Officer Agricultural Credit Department Reserve Bank of India
19. Shri R. P. Iyer	Joint Chief Officer Agricultural Credit Department Reserve Bank of India Bombay.
20. Shri R. A. Bhan	Asst. Chief Officer Reserve Bank of India Lucknow.
21. Shri R. C. Bhargava, I.A.S.	Secretary to Government Agriculture Department Jammu & Kashmir Government
22. Shri Maganbhai R. Patel	Vice-Chairman Gujarat State Cooperative Land Development Bank Ltd.
23. Shri Natha Singh	Director Himachal Pradesh Central Cooperative Land Mortgage Bank Ltd.
24. Shri Narsingh Das	Vice-Chairman Haryana State Cooperative Land Mortgage Bank Ltd.
25. Shri Hemraj Jandial	Vice-Chairman Jammu & Kashmir Cooperative Central Land Development Bank Ltd.
26. Shri Dharmpal, M.L.A.	Jammu & Kashmir State
27. Shri Abdul Rashid, M.L.A.	Director Jammu & Kashmir Cooperative Central Land Development Bank Ltd.
28. Shri Nazir Hussain	Jammu & Kashmir State

29. Shri P. S. Muthuselvan Vice-Chairman  
Tamil Nadu Cooperative State Land Development Bank Ltd.
30. Shri T. M. Barooah General Manager  
Nagaland State Cooperative Bank Ltd.

*Representatives of State Co-operative Departments*

31. Shri S. Hashim Ali, I.A.S. Registrar of Cooperative Societies Andhra Pradesh
32. Shri R. A. Zubairy, I.A.S. Commissioner for Cooperation Maharashtra.
33. Shri G. D. Amin, I.A.S. Registrar of Cooperative Societies Gujarat.
34. Shri D. N. Kotwal, I.A.S. Registrar of Cooperative Societies Jammu & Kashmir.
35. Shri K. K. Nambiar, I.A.S. Registrar of Cooperative Societies Kerala.
36. Shri K. N. Dubey, I.A.S. Registrar of Cooperative Societies Madhya Pradesh
37. Shri H. Maharudraiah, I.A.S. Registrar of Cooperative Societies Mysore.
38. Shri M. Sriramulu Registrar of Cooperative Societies Pondicherry.
39. Shri K. V. Sankaran, I.A.S. Registrar of Cooperative Societies Rajasthan.
40. Shri R.B.L. Mathur Addl. Registrar of Cooperative Societies Uttar Pradesh.
41. Shri R. N. Koul Joint Registrar of Cooperative Societies Jammu & Kashmir.
42. Shri M. A. Pandit Deputy Registrar of Cooperative Societies Jammu & Kashmir.
43. Shri K. S. Rai Deputy Registrar of Cooperative Societies Nagaland.

*Chief Executives and other Officers of Member Banks:*

44. Shri S. A. H. Razvi Managing Director  
Andhra Pradesh Cooperative Central Land Mortgage Bank Ltd.

45. Shri G. P. Bhave	Managing Director Bombay State Cooperative Land Mortgage Bank Ltd.
46. Shri D. P. Chaudhary	Managing Director Bihar State Cooperative Land Mortgage Bank Ltd.
47. Shri H. M. Joshi, I.A.S.	Managing Director Gujarat State Cooperative Land Development Bank Ltd.
48. Shri Ch. Sheo Karan Singh	Secretary Haryana State Cooperative Land Mortgage Bank Ltd.
49. Shri Jia Lal	Manager Himachal Pradesh Central Cooperative Land Mortgage Bank Ltd.
50. Shri Malik Mohd. Hussain	General Manager Jammu & Kashmir Cooperative Central Land Development Bank Ltd.
51. Shri R. M. Kumar	Secretary Kerala Cooperative Central Land Mortgage Bank Ltd.
52. Shri S. N. Bisarya	Managing Director Madhya Pradesh Rajya Sahakari Bhumi Vikas Bank Ltd.
43. Shri Jayakumar Anagol, I.A.S.	Managing Director Mysore State Cooperative Land Development Bank Ltd.
54. Shri G. C. Das Gupta	Secretary Orissa State Cooperative Land Development Bank Ltd.
55. Shri S. Subramania Pillai	Secretary Pondicherry State Cooperative Land Mortgage Bank Ltd.
56. Shri N. Sivasubramanian	Secretary Tamil Nadu Cooperative State Land Development Bank Ltd.
57. Shri A. R. Khan	Secretary Uttar Pradesh Rajya Sahakari Bhumi Vikas Bank Ltd.
58. Shri A. C. Parikh	Chief Accountant Bombay State Cooperative Land Mortgage Bank Ltd.

As the Chairman of the Union Shri Udaybhansinhji was held up at New Delhi on account of an important engagement relating to the Indian Farmers Fertiliser Cooperative, and could not be present at Srinagar on 18th June 1971, Shri Narain Chaturvedi Vice-Chairman took the chair and conducted the proceedings on that day and on the 19th June 1971 also till about 12-15 p.m. Afterwards Shri Udaybhansinhji presided over the meeting.

Shri P. N. Damry, Deputy Governor Reserve Bank of India attended the meeting on 19th June 1971 and addressed the delegates.

Shri Trilochan Dutta, Hon'ble Minister for Agriculture and Co-operation, Jammu & Kashmir State was pleased to inaugurate the proceedings of the meeting.

Addressing the delegates to the meetings, Shri Narain Chaturvedi, in his opening speech, stated that the All India Central Land Development Banks Cooperative Union Ltd., was meeting in the picturesque and beautiful city of Srinagar for the second time. The Jammu & Kashmir State Cooperative Land Development Bank has long been inviting the Union to hold a meeting in Srinagar and with the kind and full assistance of that bank it has been possible for the Union to meet there that day. He thanked the Chairman and officers of the Jammu & Kashmir State Land Development Bank and the State Government for the excellent arrangements made for meeting and the stay of the delegates.

Addressing himself to the Hon'ble Minister Shri Narain Chaturvedi stated that the All India Central Land Development Banks Cooperative Union was an association of all the State Cooperative Land Development Banks in the country, formed in 1960. Ever since its inception, the Union had been providing the necessary technical guidance to all the State Co-operative Land Development Banks in the matter of loaning policies and procedures and helping them in developing their activities. It is gladdening to note that the land development banking movement has been making good progress. During the cooperative year 1969-70, the loans disbursed by the banks exceeded Rs. 150 crores.

Continuing Shri Narain Chaturvedi expressed his happiness at the good progress shown by the Jammu & Kashmir State Cooperative Land Development Bank. Though started recently in 1962, the bank has been making good progress, under the benign care of the State Government. It has 17 branches and disbursed loans of Rs. 49 lakhs during 1969-70. The bank has two special development schemes in operation and the total loans issued exceeded Rs. 1.95 crores.

Shri Narain Chaturvedi expressed grateful thanks of the Union and its member banks to the Hon'ble Minister for having kindly agreed to be in their midst that day, in spite of other pressing engagements, which was entirely due to his deep love for the cooperative movement and land development banking. He then requested the Hon'ble Minister to inaugurate the meeting.

Hon'ble Shri Trilochan Dutta, Minister for Agriculture and Co-operation, Jammu and Kashmir State then inaugurated the meeting.

Shri Trilochan Dutta Minister for Agriculture & Cooperation, commended the role of the Cooperative Land Development Banks in financing investments in Agriculture and referred to the phenomenal growth in the long term lending in the last few years. He spoke of the future programme of the Land Development Banks and expressed the hope that they would successfully handle the programme on a more ambitious scale. He however stressed the need for simplification of loan procedures so that delays in supply of credit were avoided. Further he recommended the need for adopting the area development approach in the normal lendings of the Land Development Banks and in that context commended the approach of the Agricultural Refinance Corporation. He referred to the recent revolution in agriculture and pointed to the new dimensions of credit requirements which could be fulfilled by the nationalised Banks and the Cooperative Banks including the Land Development Banks. There was a need for proper coordination between the different credit organisations so that any over-lapping in their operations is avoided.

Shri Sheo Mangal Singh, Vice-Chairman expressed the gratitude of the house to the Hon'ble Minister for his kind words of encouragement and advice.

The Hon'ble Minister then left the meeting.

Consideration of the agenda subjects was then taken up.

*Subject No. 1:*

Confirmation of the proceedings of the Standing Committee meeting held on 18th December 1970.  
The proceedings were confirmed.

*Subject No. 2:*

Programme of ordinary debenture floatation by land development banks for 1971-72, the need of some banks to have higher programmes, the conditions governing the allotment of support, regulation of advances to primary/branch units with reference to overdues at their level and the returns to be submitted by the primary units to the central land development banks and by the latter to the Reserve Bank of India.

Opening the discussion on the subject Shri Joshi observed that the condition that banks should raise resources through rural debentures to the extent of 5% of the annual debenture programme was difficult to be fulfilled on account of various factors viz., low rate of interest, other competitors in the field, restrictions imposed by the Reserve Bank of India regarding collecting subscriptions from borrowers, etc. He also observed that banks should be allowed some latitude in the management of funds. The Gujarat State Co-operative Land Development Bank has owned funds to the extent of about Rs. 8 crores and there were substantial recoveries from January to June. After providing for sinking fund investments to be made before the end of the year and for payment of interest on debentures, which was falling due shortly, they had a surplus of only about Rs. 1.83 crores, from which they had to meet the demands for loan disbursement also. Yet the debenture proposal of the bank for Rs. 240 lakhs was not permitted.

He indicated that the position of all the banks having sizeable owned funds would almost be the same and pleaded that banks should be allowed some latitude in the management of funds.

Discussing the conditions governing the allotment of support with reference to OVERDUES Shri Chatterjee (West Bengal) commented that prospective farmers are being denied the privilege of obtaining long-term credit because of the failure on the part of old debtors or badly managed primaries. Why should good farmers be penalised for the non-observance of the discipline by others. X is being penalised for the misdeeds of Y. If overdues are more than 50% all loans should be denied even for the purposes of sinking of new wells and pumpsets. We must evolve some system to avoid this unjustified discipline which will help inviting other agencies including private money-lenders to create a permanent mischief in the field of long-term credit. Practical study of the problem should be made by the Union and by the Reserve Bank of India. The Reserve Bank of India should not play a negative role, but a positive role offering guidelines.

Regarding the returns to be submitted to Reserve Bank of India, he suggested that effective measures should be taken by Reserve Bank of India to decentralise their administrative measures so that steps could be taken after discussing the matter with their local offices instead of coming to Bombay for each matter.

Shri Anagol stated that the Mysore State Cooperative Land Development Bank had accepted all the disciplines prescribed by the Reserve Bank, had denied fresh loans to defaulting primaries, had seen that the primaries took coercive action against their defaulters and was confident of showing a better position for 1970-71 than during 1969-70. Yet, there was the possibility under the new formula of some banks not getting adequate funds to meet the second and third instalments. He pleaded that one year's performance alone should not be taken into account, as it would not reflect the correct position, and suggested that the average of the last three years' results should be taken as the basis for giving support, as that would give a more reliable image of a bank's working.

Continuing, Shri Anagol stated that applications of the principle of reducing the flow of credit to primaries with reference to their overdues position was not practicable in the case of Agricultural Refinance Corporation schemes as it would only lead to endless rephasing of the schemes or unnecessary payment of commitment charges. Regarding returns to be submitted to the Reserve Bank, he agreed with Mr. Chatterjee's views.

Shri Neelakantan Nair explained the difficulties of the Kerala Central Land Mortgage Bank, which had been permitted to issue loans for non-identifiable productive purposes upto 70% of the total loans. If the formula was enforced, some of the banks with overdues exceeding 25% would have to stop loaning all together. He, therefore, pleaded for a change in the formula in the case of Kerala to permit such banks to issue loans for unidentifiable productive purposes, subject, of course to the conditions prescribed by the Reserve Bank.

In Kerala, the due date for repayment of instalments is 15th May and by 30th June 1971, the overdues at the central land mortgage bank

level would be about 20% and at the primary level, higher. The overdues would be considerably reduced by November and Shri Neelakantan Nair suggested that the overdues of June 30, remaining uncollected on November 30, might be taken into account as was done during 1969-70. He also supported the suggestion that the right to review the position of overdues of the primaries and relax the restrictions might rest with the central land mortgage bank and that the local Reserve Bank Officers might check the position from time to time or during inspection. Shri Nair added that the restrictions should not be made applicable to Agricultural Refinance Corporation's schemes as it would only lead to payment of more commitment charges. He pleaded that the Agricultural Refinance Corporation's schemes should be left out of the purview of the restrictions.

Shri Bisarya (Madhya Pradesh) stated that as his bank's debenture issue was permitted to enter the market only after 10th July, the commitments towards sinking fund could not be fulfilled. He pleaded that even to primaries having overdues, fresh loans to meet second and third instalments should be permitted.

Shri Khan (Uttar Pradesh) welcomed the restrictions prescribed by the Reserve Bank and stated that no relaxation was necessary. He stated that similar restrictions were long being enforced in his state. He added that if relaxations were permitted, overdues would mount up leading to defaults in making sinking fund investments and the same fate will overtake the long term credit structure, as had befallen the short term and medium term structure. He also wanted the restrictions to apply to Agricultural Refinance Corporation schemes also but desired that commitment charges should not be levied on that account. He, however, pleaded that if specially abnormal conditions prevailed in any state and collections were for that reason poor, the Reserve Bank should permit relaxation of standards.

Shri Razvi (Andhra Pradesh) agreed with Mr. Khan and added that as economically and socially the country had been experiencing abnormal stress and strain, the restrictions would have a wholesome influence on the primaries and the defaulters would be compelled to pay their overdues on account of collective pressure. He, however, suggested that the last 3 years average performance should be taken into account.

Shri Nambiar (R.C.S Kerala) was emphatic in disagreeing with the suggestion that denial of further credit to a primary with 50% overdues was a solution, as, in Kerala, collective pressures would not work. It would not be right if a small farmer is denied developmental credit for the reason that the concerned primary bank has more than 30 per cent overdues. In the case of rural credit societies non-defaulting members are financed, if suitable action is taken against all defaulters for recovering their dues. Similarly, if a primary bank takes positive steps against defaulters like putting into action the legal process for recovery, the situation should be considered satisfactory and fresh loaning permitted. Shri Nambiar considered that this was the only way, in which the situation could be met. If necessary, action could be taken against primary bank managers, but on no account should credit be stopped.

Shri Choudhary (Bihar) observed that if on the plea of overdues, further finance to primary units was denied, agricultural development

would suffer. He agreed with Shri Nambiar's suggestion regarding financing primary units with overdues. In Bihar, on account of unseasonal rains, Kobi crop has been damaged upto 70 per cent and it was necessary that some relaxation should be shown. He suggested that though receipt of fresh loan applications might be stopped, disbursement of loans already sanctioned might continue.

Shri Sankaran (R.C.S. Rajasthan) wondered why one farmer should suffer for some other's fault. In a commercial bank, if loans are not recovered, the agent will be transferred, but the flow of credit will not be stopped. The present situation demands pumping of more money into the rural sector, but the restrictions would act as an obstruction. In Rajasthan, out of 10 years, 3 to 5 would be famine years. He suggested that the Reserve Bank, in consultation with the Registrar, the Central Land Development Bank and the Finance Department of the State Government should examine the reasons for the overdues, and if improvident lending was found to be the cause, restrictions could be imposed.

Shri Zubairy (R.C.S. Maharashtra) was in complete agreement with the disciplines prescribed by the Reserve Bank, as otherwise, he stated, it would be difficult to withstand political requests for postponement of recoveries. He, however, stated that wherever unnatural conditions prevailed, concessions should be shown by rescheduling the instalments, giving longer period to repay the loans and treating the village as the unit.

Shri Kumar (Kerala) stated that as the Kerala Central Land Mortgage Bank was permitted to issue 70 per cent of the loans for non-identifiable productive purposes, the restrictions would mean virtually stoppage of loaning by all primaries with overdues exceeding 25 per cent. He pleaded that banks having overdues upto 40 per cent be permitted to issue loans for non-identifiable productive purposes as before.

Shri Joshi (Gujarat) stated that a selective approach was not possible in a democratic set up. He agreed with Mr. Zubairy that discipline should be enforced, but the village should be taken as the unit. He added that in Gujarat for the last several years loans were being denied to farmers in villages having defaulters and that it was having the desired effect. He, however, suggested that the average performance during the last 4 years should be taken into account.

Dr. Datey (Chief Officer, Reserve Bank of India) answered the various points raised by the earlier speakers and the suggestions made. He stated as the public issues of capital were to be controlled by the Reserve Bank, the function (of the scrutiny of loans forming cover for the debenture issues) could not be decentralised. As regards the restriction imposed on debenture issues permitted in June 1971 that they should be put in the market only after 10 July, 1971 and the consequent inconvenience experienced by the banks in fulfilling commitments under sinking fund, Dr. Datey stated that till two years back no capital issue could be in the market during the "closed period," while now issues upto Rs. 249 lakhs were being permitted. By the postponement of the issue till 10th July 1971, no bank's programme did suffer, as in any case 15 days' time was required for completing under-

writing agreements. Further the Central Government's loan was opening on 1st July and no capital issue should be in the market during the 15 days preceding. Sinking Fund commitments could be met by making debenture deposits. The banks could have taken permission from the Trustee to meet the sinking fund commitment after 10th July. In any case a sinking fund investment could not be made out of debenture money.

As regards the holding up of the Gujarat bank's debenture proposal, Dr. Datey stated that bank had Rs. 7.70 crores of surplus funds invested (at the end of April 1971) as call deposits with commercial banks at 9 per cent and 10 per cent interest. When land development banks were investing their own funds with commercial banks at high rates of interest, how could commercial banks be expected to invest in their debentures at 6 per cent interest? He added that banks should utilise their resources first and then come into the market for reimbursement with debenture issues. He also cautioned the banks against floating money lying undisbursed with primary units.

As regards the general issues raised regarding overdues, Dr. Datey stated that some kind of discipline had to be enforced. The issues raised was that the village should be taken as the unit (instead of the primary bank or branch) and that the position as on 30th November 1971 should be taken instead of that on 30th June 1971. He did not agree to accept the village as the unit. The primary land development Bank or the branch of the central land development Bank should be taken as the unit. If there are heavy overdues in a primary unit and for that reason further credit is denied to it, only villages in a taluk or block will suffer. He cautioned the banks against their desire to have the right to relax the restrictions in the case of units showing improvement in the course of a year on the ground that when political pressures came into play they would feel helpless.

Regarding the prevalence of unnatural conditions like famine, etc., as the main cause for overdues in some states, Dr. Datey remarked that no doubt, famine conditions prevailed in Rajasthan, but the overdues of the bank did not belong to famine affected areas. The heavy rains in Maharashtra were not an adequate reason as more rains would mean water in the wells, useful for rabi crops.

Referring to Shri Sheo Mangal Singh's observation that the Reserve Bank should enforce more restrictions on State Government's unwarranted declarations of famine, drought, etc., Dr. Datey stated that the Reserve Bank had taken cognisance of the action of some of the State Governments and written to them. He added that if any part of a state was really hit by famine, floods, drought etc., the Reserve Bank would certainly consider the matter if statistics relating to the number of villages affected, the number of borrowers involved and the amount of overdues against them were furnished by the banks concerned.

Shri Chatterjee observed that the preparation of all this data would be difficult and that the difficulty would be minimised if the village was taken as the unit. Dr. Datey did not agree to the proposal.

Shri Bhave (Maharashtra) stated that the "Annawari" declarations by the State Government should be acceptable to the Reserve Bank. Heavy rainfall and corresponding pests did immense damage to the crops in Maharashtra. Irregular and erratic incidence of rains also damaged the crops. Many wells did not have sufficient water to irrigate rabi crops fully.

Regarding the corrective measure of denying further credit to primary units having heavy overdues, Shri Bhave stated that experience in Maharashtra was that chronic defaulters did not care and no pressure could be brought to bear upon them. He cited Dulia and Jalagaon districts as examples. The Central Land Mortgage Bank stopped issue of fresh loans to banks in these districts, but there was no improvement in the overdues position. In the circumstances he seriously doubted whether the discipline of denying loans could contribute to the reduction of overdues. If the land development banks stopped lending in such areas, other agencies would step in.

Regarding the minimum percentage of recovery to qualify for drawal of fresh loans, Shri Bhave stated that the Board of Directors of the Agricultural Refinance Corporation had fixed it at 75 per cent, while in ordinary loaning it was 50 per cent and enquired of the reasons for this discrimination.

Discussions on the subject were concluded at this stage. The general consensus of opinion of the delegates was that the Reserve Bank might liberalise the restrictions so as not to stop the flow of credit to needy areas.

#### *Subject No. 3:*

Cordination between ordinary lending programme of land development banks and Special Development Schemes approved by the Agricultural Refinance Corporation (Reserve Bank's circular ACD. LDB. 1423|70-71 dated 11th May 1971 and Agricultural Refinance Coporation's circular No. MGR| CLD. 15305|L-70|71 dated 11th March 1971).

(This subject was taken up for discussion on 19th June 1971, when the Deputy Governor Shri P. N. Damry was also present. Earlier, on 18th June 1971, a special note prepared by the Reserve Bank of India on "Some aspects of the problem of developmental lending by land development Banks" was circulated to the representatives of land development banks and other delegates at the meeting. Discussions on the subject centered mostly round the contents of this note).

Shri P. N. Damry, Deputy Governor, Reserve Bank of India in his opening remarks on the subject stated that he was thankful to the Union for inviting him to attend the meeting, that he deemed it a great privilege to associate himself with the meetings of the Union and attached utmost value to the discussions with the representatives of land development banks. The relations between the Reserve Bank, the Land Development Banks and the Union were always cordial and the Deputy Governor hop-

ed that they would continue to be so. The Reserve Bank's regulations are intended to regularise the working of cooperatives. The working of cooperatives must not be considered by any one as primitive and old fashioned and he hoped that in a few months the long term credit movement in all the states would become a really efficient banking structure. Cooperative banks constituted as much an important part of the banking industry as commercial banks, and cooperative banks are going to be the main stay for rural credit in India. In the Reserve Bank's view cooperative banks were as important as commercial banks and Shri Damry wanted cooperatives to consider what all the Reserve Bank had stated as one intended to further their interests. Sometimes he and Dr. Datey also might express some unpalatable things, but he assured the representatives of banks that there was no resentment, and if there were difficulties, he would always be glad to hear them.

Continuing, Shri Damry stated, he believed that the responsiveness of the land development banks and the Union to the directives of the Reserve Bank was due to their desire that land development banks should be in the forefront of the co-operative structure in India and their growing realisation of the Reserve Bank's difficulty in getting the Life Insurance Corporation and the commercial banks to contribute to their debentures. There is a large demand for funds and institutions like State Electricity Boards, Rural Electrification Corporation, Agricultural Refinance Corporation, etc., are in the market for the scarce resources. In this competition the working of the land development banks comes into review and overdues is the main problem. Investors are likely to raise this question and the Reserve Bank has to answer them. There is competition for securing resources and land development banks have to face the situation. Their balance sheets are likely to be scrutinised in future by the various investors. The Reserve Bank has a duty to investors and the Reserve Bank's permission to float debentures is a certificate that the working of the bank is sound. There is a sanctity attached to the permission given to a bank to float a debenture series and that sanctity should be preserved. Commercial banks are anxious to undertake direct lending and it is becoming increasingly difficult to convince them of the benefits of indirect lending through land development banks.

Shri Damry added that during the last 2 years land development banks had accepted certain disciplines and that with the new disciplines proposed to be discussed in the meeting, the picture of banks would be complete. The disciplines accepted should be observed very vigorously.

Continuing, Shri Damry stated that recently land development banks had been resisting on one or two points. The Chairman of the Union had been insisting that the banks could not take to new methods abruptly. This is not a reform introduced over night, land development banks have over Rs. 525 crores of loans outstanding. Since 1968-69 banks had agreed to restrict loans for unproductive purposes to 10% of the total loans issued. They had also agreed for the regulation of support to debentures on the basis of overdues at the primary level. During 1970-71 support was given to state land development banks on a graded scale and during 1971-72 the gradation would be at local level. From September 1970 normal lending for similar purposes had been stopped in Agricul-

tural Refinance Corporation scheme areas. Thus reforms are being taken up gradually. The Agricultural Refinance Corporation has been introducing refinements in its lending policies and ordinary loaning also has to follow the same refinements, if it is to be scientific. There is certain misapprehension among banks that this is not possible. To ensure that the same standards can be followed both in ordinary loaning and special loaning Dr. Jakhade had made independent studies. In matters of repayment, interest rate, period, quantum, etc., we cannot have double standards and reforms are to be introduced urgently in this respect.

Proceeding Shri Damry stated that banks had reached a crucial stage when stock taking was to be done. Much of unsound lending was done in the past and the result was accumulation of overdues. There were instances of overlending, underlending, incomplete utilisation, failure of wells, insufficient water in wells, etc., which was due to unscientific lending procedures. Nevertheless the business of banks was considered successful. Much of the lending that had taken place in the past was easy and now banks have to deal with difficult cases, also face competition. There has been recently a definite fall in lending operations in ordinary loans under minor irrigation. The target for the IV Plan under ordinary loaning is Rs. 700 crores. Shri Damry concluded by saying that it was not important how quickly this target was reached, but how securely the business was done.

The note circulated by the Reserve Bank was then taken up for discussion.

The Deputy Governor then mentioned the following important points which would govern the ordinary loaning operations of banks in future:

- 1) Borrowers must put in their share of cost of the total investment, which is 20% in the case of tractor loans besides a share capital contribution of 5%, 10% (inclusive of share contribution of 5%) in the case of loans for oil engines|electric motors and pumpsets and a similar contribution in the case of a dug well, dug cum bore well or tube well, which may include the cost of labour contributed. Small farmers contribution will be 50% of the above rates.
- 2) The maturity of the loan should be limited to the period during which it could be repaid with the incremental income generated with the loan—9 years for wells, 8 years for pumpsets and tractors and 10 years for land reclamation, small farmers being allowed longer periods not exceeding 15 years.
- 3) Productivity of the investment should be ensured by adopting new cropping patterns, using improved seed, fertilisers, etc.—Similarly a tractor should not be allowed to remain idle—it should be hired out to ensure 1000 working hours per year.
- 4) There should be efficient management of water. If the filter point yields more water, it should be sold to neighbours.
- 5) Well loans should not be sanctioned unless general clearance of

The availability of groundwater is obtained from the Groundwater Directorate of the State Government or consultants from the Agricultural Refinance Corporation's panel. Even loans for installation of pumpsets for existing wells must be permitted after careful investigation to ensure adequate supply of water.

- 6) Banks should improve their supervisory organisation. There should be in ordinary loaning also economic appraisal and technical feasibility studies as in the case of Agricultural Refinance Corporation Schemes. The training facilities in Poona should be fully utilised. Recruitment and training must go on and norms for the strength of the staff have to be fixed.
- 7) The need for the loan of the farmer-whether he can make the best economic use of the money should be examined. It is not the security that counts, but the proper utilisation of the loan and the effective exploitation of the assets created.

(At this stage of discussions the Chairman Shri Udaybhansinhji arrived and participated in the proceedings of the meeting. The Deputy Governor of the Reserve Bank Shri Damry continued his talk).

- 8) Rural savings have to be tapped. The sum of Rs. 5 crores required to be raised by banks this year is small. Banks may float non-guaranteed rural debentures at higher rates of interest.
- 9) Interest rates have to be increased to 9%. (Commercial banks are lending at 10%). Resources and overheads are getting costly and the lending should be at cost ratio.
- 10) There should be no ordinary lending for the same purposes in the Agricultural Refinance Corporation scheme areas, and if any bank violates this principle, its ordinary debenture proposals will not be cleared.

Concluding, Shri Damry observed that a number of states have not been taking up development measures, though there is good scope for it. He cited instances of Assam where land terracing could be done and Kerala where fisheries could be developed and urged all State Land Development Banks to take up development schemes.

Shri Damry then asked the Chairman to make whatever observations he may wish to do on the various suggestions. The Chairman stated that he had just joined the discussions he would not naturally be aware of what had gone before and would, therefore, like one of the Vice-Chairmen to make general observations on the subject and the various other members also to offer their views. And he also suggested that he would then like to conclude the discussions with his own comments.

One of the Vice-Chairmen of the Union Shri Sheo Mangal Singh stated that the reformed terms and conditions as suggested by the Reserve Bank of India were based on certain scientific considerations and as such the banks would in general manner agree in principle to cooperate with the suggested practices as far as possible,

Shri Sheo Mangal Singh further stated that in many states, though the management of the banks was good, there were overdues on account of natural calamities like floods, famine etc., over which the banks had no control. Though they were conscious of the need for good recovery performance, they were helpless and looked to the Central Government and Reserve Bank for help. The Life Insurance Corporation and commercial banks also, who are partners in national development should take cognisance of this factor and extend their help. If the overdues are due to bad management then assistance could be stopped. Excepting for this, he said, the suggestions in the note were useful, the banks would follow the instructions of the Reserve Bank and face competition. Some delay might occur in getting clearance, etc. due to local conditions, but the banks would try to tackle the problem on right lines. Loaning procedures also should be further simplified so as to be more helpful to the applicants.

Shri Damry observed that overdues due to flood, famine, drought, etc., would be taken note of by the Reserve Bank. In fact minor irrigation loans were in effect an insurance against drought etc. If the delay is with the State Governments in providing technical clearance, the Reserve Bank would write to the State Governments. Though the A.R.C. has 18 consultants, it also takes time and banks must take their place in the queue.

Shri Sheo Mangal Singh stated that if there were to be delay due to completion of technical formalities like getting certificates of availability of groundwater supply, the banks would lose their reputation and the confidence of the farmers. Again on the question of overdues, he observed, banks, especially in the Eastern region, felt helpless if the natural calamities occurred in successive years and in such cases there should be provision for giving relief to the borrowers by granting extensions. A 10 year loan could be permitted to be repaid in 13 years. To ensure that the borrower had adequate income during the tenure of the loan according to the original estimates, he suggested the introduction of price control measure.

Shri Damry observed that while calculating incremental income and preparing repayment schedules bad years and conservative prices were taken into account.

Shri Razvi (Andhra Pradesh) stated that they had accepted to follow the World Bank conditions in all their loaning operations and that the Technical Experts appointed by the Bank would give the technical clearance, which might be accepted.

Shri Nambiar (R.C.S. Kerala) stated that in Kerala the major land development work that could be done was only land reclamation, loans for which required 15 years for repayment instead of 10 years.

Shri Bhave (Maharashtra) explained the steps taken in the Maharashtra State to have groundwater surveys done. The bank had spent about Rs. 30,000/- in getting about 100 sq. miles surveyed through an expert agency. The State Government has a directorate, but only 5%

of the area is covered now. To complete the survey over the entire state it would take 100 years. Time factor is very important. Geo-mapping is very difficult. Despite detailed careful mapping, there will be 15% to 20% failure. A survey of the defaulters had shown that overdues were the result of failure of wells. There was no risk fund and failed wells scheme was not there.

Regarding norms for calculating incremental income, Shri Bhave stated that there should be adequate safety margin to provide for increase in the cost of inputs etc., especially in the case of dry regions. The present safety allowance of Rs. 300 is too low.

Shri Damry observed that if after some time it was found that some of the assumptions proved to be requiring revision, then they would be revised.

Shri Anagol (Mysore) stated that detailed studies should be made in typical cases, of how much was required for capital expenditure in different areas and how recurring expenditure would vary with the years and his view was that a longer period of 15 years was required for well loans than 9 years. He added that with the down-payment now needed and the payment of share capital,, it would be very difficult to collect subscriptions to rural debentures in Mysore.

Shri Muthu Selvan (Tamil Nadu) represented that if similar conditions were to be enforced in A.R.C. Schemes and in ordinary loaning, it would not be possible to go ahead. On this ground loans for deepening of wells also was stopped. Perhaps, if the A.R.C. agreed that undergroundwater supply was adequate, loans could be sanctioned.

Shri Chatterjee (West Bengal) stated that saturation point was not reached in West Bengal and that inspite of the great potential available, there was poor progress in the Eastern states and the overdues were heavy 40% to 50%. He suggested that the Union and the Reserve Bank should jointly examine the position and see that regional imbalances are rectified.

Shri Damry observed that every year the problem of cooperative movement in West Bengal were being disussed with the representatives of the State and Central Governments and the banks concerned.

Shri Khan (Uttar Pradesh) was agreeable to follow in normal lending all the norms fixed in A.R.C. schemes. He, however, wanted relaxation in respect of the following:

- 1) Normal loaning to be stopped in an area only after a scheme is sanctioned by the A.R.C. and not after it is sent to the A.R.C.
- 2) Collection of loan applications for wells in bunches is difficult and takes a lot of time.
- 3) In the case of joint loans for small farmers, down payment is difficult and should be relaxed.

4) For pumpsets, the limit of 3 acres should be reduced to  $2\frac{1}{2}$  acres.

Shri Tapeshwar Singh (Bihar) stated that Bihar was an economically and cooperatively weak state, also subject to untimely rains, floods, drought etc. and that under-developed states should be dealt with on a separate footing. His plea was that otherwise they would grow weaker and weaker. Financial disciplines should be relaxed and frequent policy changes should be avoided. Down-payment is very difficult for farmers in Bihar. The periods of repayment for the various types of loans should be for longer periods. If the various restrictions prescribed by the Reserve Bank were enforced, he stated, the Bihar bank would have to be closed.

Shri Mathur (Addl. R.C.S. Uttar Pradesh) suggested that pumpset loans could be permitted to small-holders and the income derived by the sale of surplus water could be included in the repaying capacity.

Dr. Datey stated the such income could not be relied upon and that group loans was the only answer.

Shri Khan stated that in Uttar Pradesh group loans were issued for pumpsets, but the location of the pumpset became a problem.

Shri Sabat (Orissa) mentioned that in Orissa there was no ground-water directorate, that about 3000 loans had already been sanctioned for scattered wells, and that if loans for wells are refused in future on the plea of non-availability of clearance from the Government, there would likely be legal complications and some writ-petitions also might be filed. He suggested that the State Government should be consulted before the policy was given effect to.

Shri Damry suggested that the State Government might utilise its Irrigation Department for the purpose. To a query by Shri Razvi whether the new principles would be made applicable to commercial banks, the Deputy Governor stated that in the case of World Bank schemes, commercial banks would be supplied with base maps and they would be asked to follow them.

Shri Maganbhai Patel (Gujarat) stated that he once thought that the difficulty of following the restrictions mentioned in the World Bank schemes was only the problem of Gujarat, but now it has grown into an all India problem. Perhaps the contents of the note were of the nature of suggestions, but not the final views of the Reserve Bank. The work of preparing base maps is very difficult. Deep wells strata requires 10 years for data collection. Data of upper level strata could perhaps be collected in 2 to 3 years. There were innumerable difficulties in following the restrictions imposed. It was not possible to convince the general body about them.

Shri Joshi (Gujarat) stated that the World Bank's Appraisal Team's report (Investments in Minor Irrigation Para 4) showed that water potential was still available for new wells.

Shri Damry observed that the State picture might not hold good for individual districts.

Shri Damry stated that all the difficulties should have been discussed with the World Bank's team. The A.R.C. also has been imposing the same conditions. It is only an administrative matter. The State Governments of Mysore, Andhra Pradesh, Tamil Nadu have accepted the terms. The State Governments have to be requested to appreciate the problem and accept the conditions. The sooner it is done, the better. He also suggested that the Land Development Bank might employ experts to locate wells.

Concluding the discussions on the subject, the Chairman observed that the note circulated by the Reserve Bank would mean for land development banks taking a new step in the direction of increasingly sophisticated and scientific modes of lending. It will have some far reaching effect on their policies and working as well as agricultural development as a whole. Land Development Banks are autonomous democratic cooperative organisations catering to the needs of millions of farmer members and these changes have to be explained and brought home to them with all their implications. There are, however, a number of difficulties in following the procedures prescribed, and the banks should constantly seek the active assistance of State Governments to overcome them as certain factors were beyond their control and the Union also would write to the State Governments to render the necessary help to the banks in the matter.

The Chairman expressed his thanks to the Deputy Governor of the Reserve Bank of India, Shri Damry for accepting the invitation and for being with them in the meeting. He added that all had a common goal of achieving maximum agricultural production and securing the welfare of the rural population by the optimum use of financial resources placed at the disposal of the land development banks. The banks would not like to sound negative when new ideas and more scientific terms and conditions for lending are suggested by the Reserve Bank. At the same time, he added the banks had considerable experience of conditions at the field level which should not be ignored and some pragmatic approach should be evolved to bring about the best results.

*Subject No. 4(a): Proposal of the commercial banks for allotment to them of 10 year and 15 year debentures in the ratio of 52:48.*

The proposal was agreed to.

*Subject No. 4(b): Measures suggested by the representatives of commercial banks for increasing the marketability of land development bank debentures.*

The suggestion that land development banks should repurchase the debentures held by the commercial banks from their sinking funds is not acceptable, as the procedure would deprive the banks of funds required for their loaning operations.

The second suggestion viz., that land development banks should take over their (Commercial banks) low yielding varieties in switches against new long term high yielding varieties may be examined when exactly a proposal is received.

In any case the advice and suggestions of the Reserve Bank on all the issues may be awaited.

*Subject No. 5: Treatment of foreclosed loans while assessing overdues.*

It was decided that the Union might obtain details of the practice obtaining with the various banks and make a suitable representation to the Reserve Bank in the matter.

*Subject No. 6: Integration of short-term, medium term and long term credit—Scheme of the Mysore Government.*

It was explained that the proposal of the Government of India was to start pilot programmes in select areas to disburse long term credit through viable primary credit societies in areas to which long term credit had not extended and that the Mysore experiment was the starting of a new credit society, which might take considerably long time to become viable. Further the new society and the primary bank already functioning in the area might be disbursing loans in the same area and this is not desirable. It would also be difficult for a primary credit society, which had just been started to gain experience, maintain the requisite staff and handle the long term credit along with short and medium term credit. Further there were also the legal aspects to be considered viz., the charge on the lands for the short term and medium term loans and mortgage of the lands for the long term loans. In the circumstances it was decided that the above position might be indicated to the Mysore State Co-operative Land Development Bank, and the suggestion in the concluding position of the Agenda note viz. that of the new credit and Land Development society joining as a member in the nearest primary and development bank, obtaining loans from it for disbursement to its members, and securing Government or other subsidy to meet the cost of management, etc. also recommended to it.

*Subject No. 7: Extension of the period of office of the Directors of the primary land mortgage banks and the central land mortgage banks from 3 to 5 years.*

Shri Dubey (R.C.S. Madhya Pradesh) stated that in Madhya Pradesh the restriction was that the same person should not be President or Secretary for more than 2 terms or 7 years and they should not occupy similar offices in more than two institutions.

Shri Chatterjee stated that he could see no objection in the Andhra Pradesh proposal as extension from 3 to 5 years was not an unusual demand and it would be advantageous for the directors to formulate and implement policies over a 5 year period. For similar reasons, he wanted the Registrar of Cooperative Societies also to continue in office without break for at least 5 to 6 years.

Shri Zubairy (R.C.S. Maharashtra) explained the position in Maharashtra, where the two terms or 6 years rule would be in force without retrospective effect and no person would be permitted to occupy offices in two societies. His view was that 6 years term was adequate and that this would prevent the growth of vested interests.

Shri Joshi (Gujarat) stated that there was no restrictive legislation in Gujarat and that societies were following certain conventions. His view was that vested interests could not be removed by legislation.

Shri Razvi (Andhra Pradesh) explained that the primary land mortgage banks and the central land mortgage bank felt that they should be treated on similar lines as other democratic bodies such as Panchayatraj institutions.

Shri Hashim Ali (R.C.S. Andhra Pradesh) disagreed with Shri Razvi and opposed the move. He stated that there was difference between cooperatives and Panchayatraj institutions.

Shri Sheo Mangal Singh expressed his disbelief in the term "vested interests". He enquired why there should be restrictions when the democratic system of elections was followed. Replacing men by enforcing restrictions is not the remedy. Vested interests cannot be removed thereby. In many branches of economic activity, experience is considered an advantage, but in cooperation, it is treated as a disqualification and it is a sad feature that experienced cooperative leaders are branded as men having vested interests. After all cooperation is a peoples' movement and members should be at liberty to elect their directors. If a director or office-bearer is not functioning properly, he could be checked otherwise.

Shri Zubairy further explained his view. He stated that removal of vested interests by restricting the term of office bearers had the unanimous approval of conference of Registrars of Cooperative Societies. Chairmen of societies were generally all-powerful and developed vested interests, which the legislation was intended to cut.

Shri Bhave agreed with Shri Zubairy and enquired whether it was necessary for the Union to pass a resolution as cooperation was a State subject and proper understanding should be developed at State level.

Shri Maganbhai Patel explained the position in Gujarat. He stated that where there was least interference by Government, the cooperative norms were followed. In Gujarat there is no legislation, but certain instances where Chairmen of cooperatives in Gujarat were elected unanimously for a number of years.

In conclusion it was decided that the Union might study provisions in the Cooperative Societies Acts of the various states and the bylaws of banks and suggest a uniform period of office for directors in both the

primary and central land development banks. The Chairman may form a sub-committee to examine the question and make recommendations.

*Subject No. 8: Wealth tax payable by cooperatives.*

Shri Anagol explained the position obtaining in Mysore. Not only the Central Land Development Bank but also the State Cooperative Bank got notices, based on the Supreme Court's decision that cooperatives are individuals. As the position would affect all cooperatives, he suggested that the Chairman and the two Vice-Chairmen might take an appointment with the Finance Ministry and settle the issue.

Shri Maharudriah (R.C.S. Mysore) suggested that as the writ petition filed by the Mysore State Cooperative Land Development Bank was pending with the High Court, the decision might be awaited. Shri Anagol opined that the matter could be taken up without waiting for the court's decision.

Shri Neelakantan Nair (Kerala) observed cooperatives were declared as companies, that companies were exempt from wealth tax and that the matter should be taken up with the Government of India.

Shri Chatterjee suggested that as cooperatives were corporate bodies, a circular exempting them from Wealth tax might be obtained from the Central Board of Direct Taxes.

In conclusion it was decided that the Union should obtain legal opinion and approach the Government of India for exemption from the Wealth tax.

*Subject No. 9: Levy of commitment charges by the State Bank of India and its subsidiaries..*

Shri Chalapathy, Assistant Secretary, explained how, before the system of the banks indicating their credit requirements on a quarterly basis was changed to the monthly basis and other relaxations were permitted with effect from 1 April 1971, commitment charges on the previous basis were levied from the various state cooperative land development banks. He also explained that he had discussed the matter with Shri Varshneya, Chief Officer, Rural Credit Section, State Bank of India, in Bombay and that the latter had expressed that levy of commitment charges or waiver thereof entirely depended upon the directives of the Reserve Bank of India.

Shri Razvi stated that the State Bank of Hyderabad promised to consider the request of the land mortgage bank for exemption from the levy of commitment charges, but without giving a further reply levied Rs. 1.55 lakhs by debiting the amount to the bank's account.

Shri Khan (Uttar Pradesh) wanted the procedure for the calculation of commitment levy should be changed. He stated that it should be sufficient if the drawal was made atleast once upto the limit indicated and

that it should not be necessary for the full amount to be kept drawn throughout the month.

In conclusion is was decided that representation should be made to the Reserve Bank of India and State Bank of India to exempt land development banks from levy of commitment charges as in the case of small scale industries and for the refund of the charges already levied by the State Bank of India and its subsidiaries.

Additional subject introduced with the permission of the Chairman. } Moved by Shri A. K. Chatterjee and seconded by Shri Narain Chaturvedi and Shri Umashankar Sabat.

WHEREAS this meeting of the All India Central Land Development Banks Cooperative Union Limited discussed the Regional imbalance in the matter of long term cooperative credit including the progress, facilities and the conditions peculiar to the under-developed states in this field.

AND

WHEREAS it was considered highly desirable to have a detailed study of the problem of Long term co-operative credit in the underdeveloped States on the basis of data, facts and circumstances,

A five member sub-committee consisting of:

1. West Bengal
2. Orissa
3. Bihar
4. Rajasthan
5. Kerala

be constituted to study the problem in all its bearing and to submit a report to the Chairman within three months suggesting necessary changes in the policy and concrete steps to minimise the gap of the imbalance.

Mr. Chalapahy will convene meetings after consulting at least two members of the Sub-Cimmittee. The first meeting should be held within a month.

\* \* \*

The resolution was agreed to. It was also decided that Shri G. P. Bhave, Managing Director of the Bombay State Cooperative Land Mortgage Bank should be associated with the Sub-Committee and that the first meeting might be called for after obtaining detailed particulars from developing banks regarding the various factors that are inhibiting their progress.

FIXED DEPOSITS ACCEPTED

\* We offer 7% interest for one year and  
7½% interest for 15, 18, 21, & 24 months.

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32, LUZ CHURCH ROAD, MADRAS-4,

its Branches, or the nearest Primary Land Development Bank.



M. SHANMUGHAM M.L.A.,

Chairman.

## WEST BENGAL CENTRAL CO-OPERATIVE LAND MORTGAGE BANK LIMITED

Reg. Office :

P-15, India Exchange Place Extension,  
2nd Floor, Calcutta-12.

Gram : COPMORBANK

Phone : 34-6478

An Apex Bank for long term credit :

As on 30-6-1971

1. Share Capital of which Rs. 35 lakhs Contributed by State Government —	Rs. 59.37 lakhs
2. Reserve and other funds —	Rs. 2.91 "
3. Debentures in Circulation —	Rs. 571.48 "
4. Special Debentures —	Rs. 5.70 "
5. Investment in loans upto date including loans in special scheme —	Rs. 465.34 "
6. Investment in Fixed Deposit —	Rs. 8.16 "
7. Sinking Fund Investment —	Rs. 147.69 "
8. Cash and Bank balances on 30-6-71	Rs. 16.18 "
9. Total working capital —	Rs. 670.76 "

This Bank caters long term financial assistance to the Agriculturists of the State of West Bengal through the Primary Land Mortgage Banks situated at District and Sub-Divisional level and its Branches situated at Purulia and Darjeeling for sinking of Shallow Tube-Well, purchase of pumpsets, acquisition of farm assets and for other agricultural improvement which may result in augmenting the agricultural production of the country.

A. K. Chatterjee  
*Chairman*  
West Bengal Central Co-operative  
Land Mortgage Bank Ltd.

## AGRICULTURAL REFINANCE CORPORATION (1970-71)

The eighth annual report of the Agricultural Refinance Corporation for the year ended 30th June 1971, presented to its General Meeting held in Bombay on 24th September 1971 showed an all round progress in the working of the Corporation during the year. After meeting all expenses and tax liabilities and providing Rs. 6.90 lakhs towards a special reserve, the corporation earned during the year a net profit of Rs. 28.11 lakhs, of which, a sum of Rs. 6.85 was transferred to reserve fund, a sum of Rs. 21.25 lakhs was set apart towards payment of dividend at 4½% and a sum of Rs. 964/- was carried as undistributed profit to the next year. All the State Co-operative Land Development Banks in the Indian Union (excepting Pondicherry State Co-operative Land Mortgage Bank), 22 state co-operative banks, 41 commercial banks, 2 insurance companies, 2 co-operative general insurance societies, the Life Insurance Corporation of India and the Reserve Bank of India were shareholders in the corporation as on 30 June 1971.

The corporation maintained the tempo of activities during the year. The total financial assistance under 458 schemes sanctioned by the corporation since its inception on 1st July 1963 upto 30 June 1971 amounted to Rs. 293 crores and its commitments, to Rs. 248.66 crores. The total number of schemes sanctioned in 1970-71 was 100, involving financial assistance of Rs. 62.15 crores of which the share of the corporation was Rs. 53.92 crores. The amount of refinance availed of by the eligible institutions during the year from the corporation was of the order of Rs. 30.62 crores. The total of the loans drawn from the Agricultural Refinance Corporation upto the end of the year was Rs. 89.71 crores, working out to 71.4% of its cumulative commitment of Rs. 125.67 crores. The corporation has accepted and is confident by playing its role as the leader, as well as the refinancier of co-operative banking institutions engaged in providing capital investment for agricultural development. In view of the higher cost of its borrowings, the corporation raised its lending rate to 6½% per annum with effect from 23 November 1970.

The purpose-wise classification of sanctioned scheme is as follows:

Purpose 1	No. of schemes 2	Financial assistance (Rs. crores) 3	% to the total 4
Development of minor Irrigation	237	188.33	64.28
Development of land	43	56.72	19.36
Farm Mechanisation with Tractors and Power Tillers	10	6.28	2.14
Soil conservation	2	2.17	0.74
Development of Plantations and Orchards	138	23.54	8.03
Poultry farming	7	0.50	0.17
Development of Fisheries	10	5.41	1.85
Dairy Development	5	1.76	0.60
Construction of Storage Facilities	6	8.29	2.83
Total	458	293.00	

Schemes sanctioned for development (i) minor irrigation works, (ii) development of land localised under irrigation projects and (iii) plantations and orchards predominated at the end of the year, as was the case by the end of the previous year. The proportion of financial assistance sanctioned for these schemes was 92% of the total financial assistance under the sanctioned schemes.

Agency-wise, the distribution of sanctioned schemes was as follows:

Type of financing Agency 1	No. of schemes 2	Financial assistance (Rs. in crores) 3	% to the total 4
Central Land Development Bank	319	257.31	87.82
State Co-operative Bank	22	17.17	5.86
Schedule Commercial Bank	117	18.52	6.32
	458	293.00	

The Central land development banks continued to claim the bulk of the financial assistance sanctioned by the Corporation, their share being 88%. The share of the commercial banks and state co-operative banks was 6% each. The share of the Co-operative Sector was 94%.

State-wise distribution of sanctioned schemes is as follows:

Name of the State	No. of schemes	Financial assistance	% to the total
	(Rs. in crores)		
1	2	3	4
Andhra Pradesh	74	40.05	13.67
Assam	9	1.14	0.39
Bihar	8	16.18	5.52
Delhi	1	0.12	0.04
Gujarat	39	22.71	7.75
Haryana	17	18.12	6.18
Jammu & Kashmir	3	1.80	0.61
Kerala	23	6.43	2.20
Madhya Pradesh	19	19.14	6.53
Maharashtra	38	20.26	6.92
Mysore	85	35.95	12.27
Orissa	8	2.00	0.68
Punjab	29	33.23	11.34
Rajasthan	11	7.94	2.71
Tamil Nadu	56	32.13	10.97
Uttar Pradesh	32	33.71	11.51
West Bengal	6	2.09	0.71
Total	458	293.00	

The details of schemes implemented by the land development banks and the amounts disbursed to them by the Agricultural Refinance Corporation by way of contribution to their Special Development Debentures during the year 1970-71 were as follows:

Name of the State	Name of scheme	Amount disbursed	Total (Rs. in lakhs)
1	2	3	4
Andhra Pradesh	Minor Irrigation	183.330	
	Land Development	152.535	
	Horticulture	6.000	341.865
Bihar	Minor Irrigation	81.234	
	Land Development	32.175	113.409
Gujarat	Minor Irrigation	183.960	
	Horticulture	4.125	188.085
Haryana	Minor Irrigation	280.539	
	Horticulture	10.073	
	Farm Mechanisation	11.250	301.862
Jammu & Kashmir	Horticulture	11.250	11.250

1	2	3	4
Kerala	Minor Irrigation Horticulture	13.500 14.250	27.750
Madhya Pradesh	Minor Irrigation Land Development	84.860 6.120	90.980
Maharashtra	Minor Irrigation	231.750	231.750
Mysore	Minor Irrigation Land Development Horticulture	104.760 76.875 23.325	204.960
Orissa	Minor Irrigation Horticulture	2.107 3.600	5.707
Punjab	Minor Irrigation	485.775	485.775
Rajasthan	Minor Irrigation Land Development	74.835 2.025	76.860
Tamil Nadu	Minor Irrigation Land Development Horticulture	328.500 55.163 16.162	399.825
Uttar Pradesh	Minor Irrigation	181.773	181.773
West Bengal	Plant/Horticulture	1.800	1.800
Grant Total			2663.651

The physical development under the ARC schemes upto 30 June 1971 which had already taken place or was under progress was stated to be as follows:

Construction of tube wells	42,244
,,      dug wells	52,797
Installation of pumpsets (electric and diesel)	1,14,860

It had been estimated that with the financial assistance provided so far, 6,85,000 acres was brought under double cropping, on the basis that a tube well would irrigate over 10 acres and a dug well 5 acres. Development of tube wells had been undertaken mostly in Punjab (20,635), Haryana (9599), Uttar Pradesh (8270), Bihar (1992), and Andhra Pradesh (1485). Construction of dug wells was undertaken especially in Andhra Pradesh (16,198) Aamil Nadu (7031), Gujarat (6646), Maharashtra (6126), Uttar Pradesh (4593), Madhya Pradesh (4403), Mysore (2802), Rajasthan (2337) and Kerala (438).

Under land development schemes, schemes refinanced by Agricultural Refinance Corporation had helped to level and develop 7.21 lakh acres and make them fit for receiving irrigation under major irrigation schemes as per details below:

		Acres
Kosi Project	(Bihar)	10,000
Chambal Project	(Madhya Pradesh)	4,326
,, ,	(Rajasthan)	1,136
Hirakud and Derjang Projects	(Orissa)	2,686
Nagarjuna Sagar, Pochampad, K. C. Canal, Kaddam and T. B. High Canal Projects	(Andhra Pradesh)	4,04,000
T.B. Left Bank and Right Bank canals, Bhadra and Ghataprabha Projects	(Mysore)	1,80,000
P. A. Projects	(Tamil Nadu)	98,000
Bor, Nalganga, and Ghod-Ganga-pur projects	(Maharashtra)	18,000
<b>Total</b>		<b>7,18,148</b>

Besides, finance was provided for bunding 5.17 lakh acres under soil conservation (dry farming) schemes in Maharashtra. Under plantation schemes, finance was provided for 12,494 acres under coconut, 10321 acres under coffee, 6150 acres under apples, 3409 acres under rubber, 3117 acres under tea, 2927 acres under cardamom, 7524 acres under citrus and other orchards like mango, organge, grapes etc. Under fisheries scheme finance was also provided for 360 mechanised boats in North and South Kanara Dist. (Mysore), Madras and Chingleput districts (Tamil Nadu), Ratnagiri District (Maharashtra) and Calicut District (Kerala). Finance was also provided to farmers for the purchase of 513 tractors and harvester combines in Uttar Pradesh, 335 tractors in Haryana, 181 tractors in Bihar, 14 tractors in Madhya Pradesh and 6 tractors in Punjab. In regard to storage facilities 129 godowns with a storage capacity of 2.06 lakh tonnes were constructed in Punjab and 4 with a storage capacity of 2000 tonnes in Gujarat.

#### *World Bank Schemes*

The Agricultural Refinance Corporation has arranged to finance during the year capital investment in agriculture by obtaining funds from the IBRD and IDA. The funds will be obtained through the Government of India and routed through eligible financing agencies. Under the Andhra

Pradesh Agricultural Credit Project effective from 10th May 1971 finance is to be made available for installation of tubewells, dugwells, dug-cum-bore wells, supply of electric motors and diesel oil engines, levelling under the Nagarjunasagar and Pochampad Projects and providing 1500 tractors to the cultivators in the state. The project will be implemented through the Andhra Pradesh Co-operative Central Land Mortgage Bank and scheduled commercial banks.

The Haryana Agricultural Credit Project approved on 11th June 1971 envisages provision of finance to cultivators for installation of tube wells with electric engines, sprinkler irrigation sets and supply of 6000 tractors and self-propelled combines and harvesters. The project will be implemented through the Haryana State Cooperative Land Mortgage Bank and scheduled commercial banks.

Under the Tamil Nadu Project, also approved on 11 June 1971 a large number of wells and shallow and medium tubewells will be installed and energised. Finance will also be provided for levelling of land under the command of the P.A. Project, drainage schemes in the Cauvery delta and also for supply of 15000 tractors to the farmers. The scheme is to be worked through the Tamil Nadu Co-operative State Land Development Bank and scheduled commercial banks.

Few copies of the proceedings of the Seminar of the Chief Executives of the State Co-operative Land Mortgage Banks in India held in October, 1964 at Hyderabad along with the background notes on the subjects discussed at the Seminar are available with us. The subscribers to the Journal who require copies of the proceedings of the Seminar are requested to place their orders with the Union for supply of the copies. Each copy is priced at Rs. 5/-.

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Authorised Share Capital ..	..	..	Rs. 50.00 lakhs
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(As on 30-6-1970  
Rs. in lakhs)

1. Paid-up Share capital	..	..	76.46
2. Reserve & other funds	..	..	11.01
3. Sinking fund investment	..	..	140.63
4. Loans outstanding	..	..	939.60
5. Debentures in circulation	..	..	1015.81

**U. S. Sabat,**  
President.

**L. Dandapat**  
Secretary.

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24745

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(Rs. In Lakhs)

<u>Sl. No.</u>	<u>Particulars</u>	<u>30th June 1961</u>	<u>30th June 1970</u>	<u>30th June 1971</u>
1. Head Office		1	1	1
2. Branches		30	175	185
3. Paid up Share Capital	Rs.		Rs.	Rs.
(a) Government		15.00	70.87	120.87
(b) Individual		00.33	359.00	489.07
4. Loans outstanding		2.58	5755.70	7615.94
5. Debenture circulation		Nil	5874.50	7756.59
6. Sinking Fund		Nil	826.58	1380.25
7. Reserve and other Funds		00.69	38.65	70.54
8. Loan advanced during the year		Nil	1707.32	2162.25
9. Net Profit		Nil	78.63	100.49

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Sachiv

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Head Office	267802	Sub Office No. 2 290006
	267803	

Managing		
Director	261497	As on 30-6-70

<u>Authorised Share Capital</u>	..	..	Rs. 10,00,00,000
---------------------------------	----	----	------------------

<u>Subscribed Share Capital</u>			
---------------------------------	--	--	--

1. State Government	..	..	Rs. 1,10,00,000
2. Primary Land Development Banks & others	..	..	Rs. 6,71,57,965
3. Reserve Fund	..	..	Rs. 7,81,57,965
4. Sinking Fund Investment	..	..	Rs. 56,47,844
5. Loan Outstandings	..	..	Rs. 36,29,67,655
6. Debentures	..	..	Rs. 1,04,21,16,483
7. Loans advanced during the period from July 1, 1969 to June 30, 1970			Rs. 1,23,13,71,000
			Rs. 29,15,21,382

*Affiliated Primary land development banks to the Apex Bank in the Maharashtra State — 27.*

R. G. GOKHALE,      G. P. BHAVE,      N. A. KALYANI  
Manager.                Managing Director.               President.

Volume IX.

Issue II.

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OF

THE ALL INDIA CENTRAL  
LAND DEVELOPMENT BANKS  
CO-OPERATIVE UNION LTD.

December 1969

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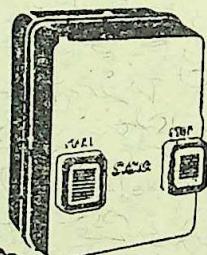
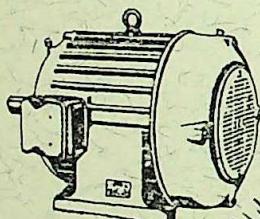
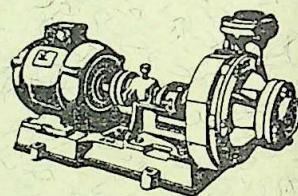
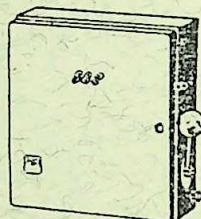
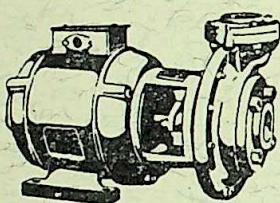
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Vol. IX

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QUARTERLY JOURNAL  
OF THE  
All India Central Land Development  
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DECEMBER 1969

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A few copies of the printed book "Chapters and Recommendations relating to Land Development Banks and Agricultural Refinance Corporation from the Report of the Rural Credit Review Committee" are available with the Union. For supply of copies orders may be placed with the Union. Each copy is priced Rs. 2-00.

## EDITORIAL

### SMALL FARMERS (ii):

Besides the statistical data mentioned in the editorial for the September issue, the All India Rural Credit Review Committee has examined the data available from the National Sample Survey and of the All India Rural Debt and Investment survey (1961-62) and drawn the following conclusions:

- (a) The number of small farmers is large for the country as a whole and particularly large in those states where the pressure of population on land is heavy.
- (b) Despite their large number, the small farmers account for only a small portion of the total area.
- (c) The proportion of small farmers among pure tenants is much larger than that of large farmers.
- (d) Unequal distribution of land is common, but it is the pressure of population on land which places the small farmers at a special disadvantage in some states, while elsewhere this might be resulting from the additional factor of competition from the large holders of leased-in-land.
- (e) The responsiveness of the small cultivator to improved practices as measured by the proportion of those who use chemical fertilisers, etc. is as much as that of the large cultivator.
- (f) The proportion of hired labour employed is much less in the case of the small cultivator.
- (g) Small cultivators are not well placed in the matter of ownership of cattle or of agricultural implements.
- (h) Small farmers are handicapped in the matter of access to cooperative credit.
- (i) The proportion of produce sold through cooperatives is greater in the case of large cultivators.
- (j) The receipts of the small cultivator from sources other than the crop are largely by way of wages, whereas for the large cultivators they come from rent, share of produce from co-sharer, and also from trade and industry in relation to all of which they have the necessary resources.
- (k) The small cultivator is handicapped in the matter of incurring capital expenditure on the farm as compared with the large holder.

We are now concerned with the accessibility of the small farmers to cooperative credit—short, medium and long term.

On a study also of the available data in regard to the access of cultivators of different asset groups to cooperative credit, the All India Rural Credit Review Committee has concluded that, amounts apart, the number of persons, who borrowed from cooperatives went up proportionately with the size of the assets. There were certain built-in features in the practice of cooperative credit which inhibit the access of small farmers to credit or restrict the quantum of it, which reaches them. Insistence on landed security for short term loans, unduly low ceilings on surety loans, the reluctance to finance tenants generally and oral lessees in particular and the basing of credit eligibility on the assets owned rather than on the outlay to be incurred are some of the relevant factors, which inhibited the flow of credit to small farmers.

To induce cooperatives in the short and medium term credit structure to be liberal in financing small cultivators based on the recommendations of the Committee on Cooperative Credit, (1960), the scheme of giving outright grants to agricultural credit societies and central cooperative banks to serve as special bad debt reserves at 3% and 1% respectively of the additional loans made by them during a year for financing agricultural production was put into operation. Subsequently in 1967-68, the scheme was changed and grants on a revised pattern viz., at 12 per cent at the societies level and 4% at the central bank level with reference to the increase in loans advanced to weaker sections, which were taken to be comprising those tenants or owner cultivators whose individual credit limit did not exceed Rs. 200/- were introduced. These grants were in respect of short term and medium terms loans, but nothing was done in respect of long-term loans which were also needed by the weaker sections to create capital assets on land to increase its productivity.

Small farmers do not get enough cooperative credit due to lack of credit worthiness, which is a result of the uneconomic nature of their farm business. Leaving aside farmers whose holdings are so small that they cannot be made economic and viable and for whom special integrated schemes involving subsidiary occupations like dairying, poultry farming, etc., are necessary, there is the category of small farmers as can be assisted to move on from subsistence farming to commercial cultivation if they are enabled through the provision of credit

and other supplies and services to invest in irrigation, etc., and to adopt improved practices. To ensure that the small cultivator with adequate resources gets a larger share of institutional credit, the All India Rural Credit Review Committee has recommended that while the smaller cultivator may be granted a loan equal to the full entitlement on the basis of prescribed scales of finance, the medium cultivator may receive credit only to the extent of a specified proportion of the scale and the large cultivator an even smaller proportion. Other suggestions are that the rate of interest on large loans may be relatively higher than on smaller loans, that large cultivators may be required to make a proportionately large contribution to share capital, while small cultivators may be allowed to make their own contribution in instalments and appointment of special staff by cooperative banks so as to ensure that the factors affecting the flow of credit to small cultivators and tenants are identified and appropriate remedial action taken. Though these recommendations are primarily made in relation to short and medium term credit, the Committee has stated that they are relevant and applicable to the working of cooperative land development banks as well. Rationalisation of lending policies so as to determine the period of the loan with reference to the repaying capacity of the borrower, the liberalisation of policies in respect of valuation of security, joint loans for groups of small farmers, creation of risk funds to cover losses in the case of loans issued to small farmers for investment in wells, grant of subsidy by government to small farmers to cover part of the investment, free supply of rigs for digging wells, etc., are some of the specific suggestions made to help the flow of term credit to them. As credit for development purposes is bound to be increasingly based in future on a careful scrutiny of the individual circumstances of a borrower, likely returns from investments and estimated repaying capacity, the Committee felt that it should be easier for the long term credit structure, than for the medium and short term credit structure, to take account of the contribution which any item of investment can make to a small cultivator's potential viability, and on this basis to provide credit for financing such outlays without being inhibited by apprehensions of default.

Broadly speaking, the problem is that marginal and sub-marginal cultivators have to be helped to raise themselves on the basis of the land, equipment and skills which constitute the resources available to them. The problem is therefore to make their farm business more efficient in technology and surplus in economic terms, and to supplement their resources

and knowledge for this purpose. The effort is therefore obviously restricted to those cultivators who can be developed into surplus farmers if they adopt improved techniques on the basis of support in terms of supplies, irrigation, services of machinery etc. Appropriate schemes have to be drawn up by technical experts for the purpose with reference to local resources and requirements, so that such cultivators can undertake specific lines of investment, adopt a suitable cropping pattern, use modern inputs, etc. It is to deal with this limited problem that the Committee has recommended the setting up of an institution in the form of a Small Farmers Development Agency in certain selected districts. This Agency should first help to identify for the appropriate groups of farmers in its jurisdiction, (i) their special problems as producers, (ii) the means by which they can be helped to overcome the handicaps and render their farm economies viable and commercial, and (iii) the arrangements by which those means can in fact be provided. The Agency should then proceed to undertake the necessary measures. The Agency can thus help not only to increase production but also to improve the economic condition of the small farmers.

The Rural Credit Review Committee has spelled out the functions to be attended to by the Small Farmers Development Agency. Primarily the Agency should make the fullest use of the existing institutions and authorities and the funds available with them. The first step is to identify the sections or groups of cultivators who are weak and their specific needs. The next task is to find out whether the existing institutions are oriented to meet the specific needs of the weaker sections and by what means such orientation can be ensured or strengthened. As the existing institutions are to be fully utilised the Development Agency will not itself extend credit, but will try to ensure that the cooperative credit institution finance small cultivators under the programme. The Agency will, however, help the cooperatives to ensure that they play their role. The help to the cooperatives from the Agency is expected to be in two parts. The first is a grant to the credit institution which is to be so designed that, on the one hand it serves as an incentive for the institution to make loans to the small farmers and, on the other, helps to build up a fund to cover the risks apprehended in such financing. The second is a subsidy to enable the credit institution so to strengthen its staff in quality, as well as in number, as to ensure that such financing is undertaken as an operation of supervised credit. The staff appointed by

cooperatives, the staff of the Development Agency, the staff of Government and other agencies working in the area should together help to ensure that the estimates in regard to investment and production, on which credit is based, are in actual fact, fulfilled.

The proposed programme is in the nature of an experiment, at least in one district in each state (and two in larger states) so that with the experience gained, the scheme could be extended to other districts. The experiment is proposed to be tried in 30 districts to start with.

The part of the grant to be given to the banks for providing an incentive for financing small farmers will be based on the quantum of additional loans advanced to such farmers in a year and will be built up into a special risk fund in these institutions. In the case of land development banks it has been proposed that the grant may be three percent of actual advances.

The Committee has recommended that an allotment of the order of Rs. 2 crores be provided per district for a five year period for enabling a Small Farmers Development Agency to be established in each of the selected districts. In the case of land development banks, assuming that about 7500 small farmers are financed each year, with a loan of Rs. 1,000/- on the average, the grant to its risk fund at 3% of the new loans will be Rs. 2.25 lakhs per year. In addition each land development bank will receive a substantial grant to appoint special staff in connection with the dispensation of credit to small farmers and supervision over it.

Land development banks have been trying in the past to the best of their ability to assist small farmers to build up capital assets on land to increase agricultural production. Now with the coming into operation of the Small Farmers Development Agency, the inhibitions which were operating against extending credit to such farmers in a substantial measure will mostly disappear and it is hoped that the long term credit institutions as well as their counter parts in the short and medium credit structure will play their part expected of them and satisfy a long felt need.



## MAHATMA GANDHI'S VIEWS ON CO-OPERATIVES\*

UDAYBHANSINHJI (Yuvaraj of Porbandar), President

National Co-operative Union of India and Chairman

All India Central Land Development Banks Union Limited.

As I happen to be from Porbandar, the birthplace of Mahatma Gandhi, I feel doubly privileged when I am being asked to say a few words about his views on cooperatives. I am however conscious that I am venturing to speak on a subject which would demand a special research involving thorough appraisal of Gandhiji's pronouncements on co-operation and co-operatives in various contexts over a period of years. It would therefore be difficult to attempt any exercise which could claim to give a full picture of Gandhiji's views on co-operatives within such a short span of time.

The forms and significance of co-operatives as one understands them today, perhaps materially vary from what they stood for during Mahatmaji's lifetime. Gandhiji's genius was however universal in its application, and searched the innermost truths of questions to which he applied his mind. He not only touched a wide gamut of problems that affected the day-to-day life of the society as it then existed, but also made certain pertinent observations that have an enduring appeal and a bearing on the shape and form that such matters could assume in future and co-operation has been no exception to this. His objective view of things revealed to him a multi-faceted picture of the subject, which was crystal clear in itself and had also a definite perspective and an overall setting of other related matters against which it stood out in bold relief.

In spite of his being a deeply religious person and a moral force for all humanity for all time, in a sense, Gandhiji remained a scientist all through and never left his search for truth through continued experimentations. He laid great stress on the importance of practical knowledge and there was hardly anything that he did not subject to the crucible of experience before making his original observations. This method ruled out all vagueness. He kept an open mind and his greatness was truly reflected in making admissions and amends whenever they were found necessary; and he propounded truths, as he saw them, in new garbs.

\* Text of a Radio Talk.

He worked on a vast canvas so to say of which co-operatives formed only a small part; but co-operation did find a place in the entire emerging picture that he visualised for the social and economic development of the country. He has thrown ample light on the fundamentals and functions of co-operatives, which provide an inspiring guidance to the movement.

Views expressed by Gandhiji on Co-operation and Co-operative Movement as such covered a period of many years and sometimes formed part of his observations on certain other subjects also. It is therefore difficult to string them together in a single sequence and present a consolidated digest. Besides, as is pointed out in a recently published letter of the celebrated French Writer Romain Rolland, one has also to be careful about correctly interpreting Gandhiji's thoughts. As I have already observed, the Co-operative Movement has acquired a new meaning and dimension in the country after Mahatmaji's lifetime. Before I proceed to refer to the expression of Gandhiji's views on several aspects of the Co-operative Movement, it would not be out of place if I give certain figures showing the present all round development of the co-operatives.

Membership of the primary agricultural credit societies in the country, now stands at a figure of over 3 crores, covering about four and a half crores of agricultural families. The short, medium and long-term co-operative credit disbursed to the farmers now account for nearly Rs. 550 crores in a year. The co-operatives annually handle at present marketing of agricultural produce of an order of Rs. 475 crores. They also deal with consumer articles in rural as well as urban areas valued at about Rs. 550 crores. Even the industrial co-operatives and processing units have made some significant headway. The general progress appears to be quite impressive considering what one would have anticipated about 20 years back. Of course, from the viewpoint of setting an accelerated pace of economic growth, expectations could have been still higher. Even a better quantitative performance than what has been achieved, would not have however enthused Gandhiji nor found favour with him, if in its fulfilment, the co-operative had ignored certain basic qualitative aspects of their working. He had observed in clear terms that without character, there was no co-operation and further amplified that he would not measure the success of the movement by the number of societies formed, but by the ethical conduct of all its members. He had also

fully endorsed the observation of a committee on Co-operation that a pseudo co-operative edifice, however imposing built in ignorance of true co-operative principles could bring little credit to the movement. While dwelling on the subject one finds Gandhiji observing in a general way that his co-operation was based on love, non-violence, character and a progressive goal. Although he gave great importance to the liberty of the individual for full expression of his personality, he nevertheless tempered it by saying that "individual liberty and interdependence were both essential for life in society".

As an illustration, he had said that "as the different members of the body are self-reliant so far as their functions are concerned and yet are mutually helpful and mutually dependent, so are we...each following the rule of self-help in performing his own functions and yet co-operating with one another in all matters of common interest". He emphasised on the voluntary character of co-operation and also attached great importance to the right type of education of persons engaged in co-operative activities. When one comes to the question of practical functioning of co-operation, it is significant to note that in his paper submitted to the Bombay Provincial Co-operative Conference, as early as in 1917, in the context of proper utilization of co-operative credit, he went to the length of making a suggestion for "tracing the course of every pie lent to the members".

It will thus be seen that his thinking had encompassed many of the accepted tenets of the Co-operative Movement as received from time to time; and had not stopped at merely inunciating certain precepts, but made valuable comments on the practices that the co-operatives could profitably follow. He has not only outlined the functions of agricultural and small scale industrial co-operatives, but in the case of certain spinning, weaving and handicraft co-operatives, has also given a complete infrastructure of the working, based on practical and direct experience.

It was the avowed conviction with Mahatma Gandhiji that once a clear goal of peoples' welfare throughout a particular activity was established, equally pure and chaste means were to be employed for its achievement. He always cared for the substance rather than the shadow.

If the basic aim was lost sight of and there were devia-

tions from the path, Gandhiji always uttered a warning and took suitable action. I would only cite a small illustration to show he stood for the fundamental objectives even in a relatively less important matter and deprecated all straying away from a set purpose. If I remembered right, it was in the year 1928 or so, when Gandhiji visited Vartej near Bhavnagar to open a Ramji Mandir for the people to offer prayers. As a student from the Shamaldas College, alongwith others, I also went to have his darshan and hear him. After the inauguration of the temple, he gave a short speéch in which he broadly indicated the purposes of having a place for worship. He had then said that while getting together for worship, the people should try for the purification of their hearts so as to eschew all thoughts of disharmony and distinctions of caste, creed etc., and cherish mutual love and affection for the good of all. He then went on to say that the object for which the place of worship was meant, should be scrupulously followed. If this was done, there was some significance in his being associated with the function. On the other hand he made it clear that, if the people collected there indulged in gossiping, gambling and perpetrating fraud etc., the very purpose would be defeated, and the effort made that evening, could be considered as done in vain. An analogy drawn from this small incident could apply to the working of the co-operatives. He had a clear-cut conception and a set code of conduct for co-operation. Wherever the institutions concerned have been able to uphold the high ideals and healthy traditions, they have made qualitative progress; but where they have deviated from the basic thought, weakness has crept in. The deflections could be removed and the course corrected only by restoring ethical values and employing necessary means for the purpose.

Mahatmaji's identification with the saying "the World is my family and his belief in joint endeavour for common good bear ample testimony to his living faith in the co-operative way of life. This could hardly be expressed in a better way than what he himself did some 23 years ago when he said that "drops in separation only fade away; drops in co-operation make the ocean".

*(Courtesy: The All India Radio, Rajkot.)*

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For 12 months and over but less than 24 months ... ... ... ...	6% per annum
For 24 months and over but less than 36 months ... ... ... ...	6½% per annum
For 36 months and over but less than 60 months ... ... ... ...	6¾% per annum
For 60 months and over ... ... ... ...	7% per annum

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**K. R. Subramaniam**  
Managing Director.

**P. Satyanarayana Raju,**  
President.

## PROJECT FOR SMALL FARMERS

### Shri Venkatappiah's Address to Agricultural Economists

Shri B. Venkatappiah, Member for Agriculture, Planning Commission, said in Waltair on December 30, that the experience so far gained at the stage of formulation and establishment of projects for small farmers indicated that the number of projects envisaged — 20 for the whole of India — was obviously inadequate. He added that most of the States had asked for three, or at least two, projects being established in their jurisdiction. Some had provided additional funds in order to increase the number; others had divided the provision of Rs. 1.5 crores between two or more projects in different parts of the state. It was now agreed that, even as a start, the areas of intensive effort for the benefit of the small farmer must be much larger in number and coverage in the country.

Shri Venkatappiah said that a large number of schemes for small farmers were either under consideration or were in different stages of preparation. Some of these projects were in Andhra Pradesh, Mysore, Kerala, Maharashtra, Gujarat and Madhya Pradesh. Other states, were also likely to participate in the very near future.

Shri Venkatappiah, who was addressing the 29th Annual Conference of the Indian Society of Agricultural Economics at Waltair, (Andhra Pradesh) also outlined a programme of action for small farmers development agencies in the country.

### SCHEMES FOR FARM LABOUR

Another important modification suggested, Shri Venkatappiah added, was the extension of the underlying idea of the scheme to the very small farmer, who might or might not be potentially viable in terms of his land base, as also to agricultural labourer.

The application of the idea to this important category, farm labourer and non-viable farmer, might take one or two forms. There might be independent project confined to this category alone. Alternatively and preferably, the project might be dovetailed into that designed for potentially viable small farmer and operated as a composite, even if separable, scheme for a defined geographical area.

Illustrating this, Shri Venkatappiah said that the small farmers development agency of a district might put in funds and be made organisationally responsible for two distinct parts of a scheme — one for potentially viable farmers, and another for those substantially dependent on agricultural wages or subsidiary occupations.

For the successful implementation of the small farmers development project, Shri Venkatappiah pointed out that there were certain pre-requisites which were even more fundamental than, say, the infra-structure of credit, marketing, storage and communications. These had reference to tenants, sub-tenants and more specially share-croppers and were concerned with such basic requirements as the existence of land records and the implementation of land reforms. He added that the inclusion of such measures in the small farmers development programme as a whole, together with the other important aspect of land reforms, namely, the consolidation of fragmented holdings, might well be in itself an extremely important contribution to the solution of the vexed question of how to translate into reality a series of measures which had hitherto substantially remained on paper.

#### DEFINITION OF SMALL FARMER.

Explaining the main features of the scheme for small farmers development agency, Shri Venkatappiah said that the scheme was focussed on that class of cultivators who had been broadly described as the "potentially viable small farmer".

In other words, he was the class of farmer who, with the help of new technology, could manage to be a surplus producer, a farmer who had just enough land to enable him to be so. What he needed was special assistance for obtaining the requisite inputs, including credit, for without these he could not make use of new technology.

It followed that, in establishing small farmers projects in different areas, a preliminary condition was that there should be a substantial number of potentially viable small farmers in the selected area. Other considerations were an infrastructure of credit, marketing, etc. which at least fairly satisfactory, and a production potential based on the sciences of ground water or surplus water or both which could be mobilised for irrigation.

Given these conditions, appropriate schemes had to be drawn up with reference to local resources and requirements so that the small cultivators could undertake specific lines of investment, adopt suitable patterns and use modern inputs.

### TASKS FOR DEVELOPMENT AGENCY.

Shri Venkatappiah said that the task of the development agency would then be to identify the farmers as producers, devise programmes by which their farm economies could be made viable, and in due course undertake evaluation and review of the programmes. In discharging these functions it was expected that the agency would make the fullest use of the existing institutions and departments and not create any significant staff of its own.

One of the major tasks of the agency would be to arrange for credit either from co-operative or from commercial banks. As a means of inducement to the co-operatives, the agency would under write a certain proportion of the additional loans given to small farmers in pursuance of the scheme and would make the amount available as an outright grant towards the building up of a risk fund.

The agency would also provide assistance to co-operative institutions for supervising the use of credit. It was expected that in the context of this planned effort for the benefit of small farmers under the direct supervision of an influential agency, the commercial banks would shed their hesitation in financing this class of producer.

The State Bank of India had already come forward to support the programme in all the area where the small farmers agency would be set up. It remained to add that the agency had the legal status of a registered society so that it could receive funds direct without burdening the State budget.

### FUNDS & PROGRAMMES OF AGENCY.

Though the funds were from the Centre, the composition of the agency was such that the scheme was for all practical purposes operated by the State. The Chairman of the agency was the collector of the district or the development commissioner or similar development authority of the particular area. In addition, the board of the agency would include district officers of agriculture and animal husbandry departments of

the State. The head or heads of local co-operative institutions together with two representatives of the Centre were practically the only other members of the compact body which constituted the small farmers development agency.

The amount placed at its disposal was roughly Rs. 1.5 crores for a period of five years. This is additive to, and under no circumstances in replacement of, the State Governments' own provisions for the area in its Plan or its budget. A further and substantial addition was the long, medium and short-term institutional credit planned for and arranged in support of the project.

This, in certain instances, might be as much as five to six times the nucleus provision.

The provision for the different programmes was roughly as follows: (Rs. — lakhs) agriculture and minor irrigation 68, animal husbandry 50; agro-based administration 17, other programmes 8; and administrative expenses 7.

#### TECHNOLOGICAL PARTICIPATION

Shri Venkatappiah said that the solution to the problem of the small farmer, at least the potentially viable small farmer, did not lie in the development of a different agricultural technology, but in the provision of means whereby he could participate in the new technology.

Shri Venkatappiah said that the new technology was not biased against the small farmer merely because of the size of his holding, provided he had access to the resources which would enable him to take advantage of the new techniques. The real problem arose from the fact that adequate resources were not available to him out of any profits that he could make on the basis of traditional technology. Co-operative credit, which might provide route to development was generally more easily available to larger holders, partly for the reason that the small farmers did not qualify by bankable standards and partly because of the "closed-shop" operations of many co-operatives.

Another alternative, namely, custom-servicing of mechanised agriculture and private rental of surplus water, had not as yet been extensively developed. The date in regard to small holdings, Shri Venkatappiah said, showed that the total

area involved, even if small in relation to the large number of small farmers, was both sizeable and significant from the point of view of agricultural production. The participation of small farmers in agricultural programmes based on the new technology was essential both for this reason and because of the far reaching socio-economic implications of leaving this large section of the cultivating population out of the ambit of the new agricultural strategy. Moreover, there was reason to believe that the productivity of small farmers was not inferior to that of large farmers operating in similar conditions. There was ample evidence that the small farmers were not less progressive than the large famers.

Few copies of the proceedings of the Seminar of the Chief Executives of the State Co-operative Land Mortgage Banks in India held in October 1964 at Hyderabad along with the background notes on the subjects discussed at the Seminar are available with us. The subscribers to the Journal who require copies of the proceedings of the Seminar are requested to place their orders with the Union for supply of the copies. Each copy is priced at Rs. 5/-.

THE MADHYA PRADESH RAJYA SAHAKARI BHOOOMI  
VIKAS BANK SIMIH

Sultania Road, Opp. State Bank of India  
B H O P A L

Gram : "KISANBANK"

Phone : 3241

*President :*

SHRI SHIV SHANKAR PATEL

*Vice-President :*

SHRI TARA CHAND AGARWAL

	As on 30-6-1968	As on 30-6-1969
	Rs. in lakhs	Rs. in lakhs
1. Paid-up Share Capital	93.71	95.54
2. Reserve & other funds	10.40	16.69
3. Debentures in circulation	904.96	1157.11
4. Loans to Primary Land Development Banks	850.40	1162.73
5. Annual Profit	7.57	6.47
6. Working Capital	1078.83	1409.14

The Bank advances loans to Agriculturists of the State through its affiliated 43 District Land Development Banks for development of land, for construction of wells, purchase of oil engines, pumpsets, tractors etc. The Bank issues Ordinary Debentures and Rural Debentures. These Debentures are fully guaranteed by the State Government.

M. L. SONI.  
*Manager.*

**THE DELHI STATE CO-OPERATIVE BANK LTD.**  
(Established 1921)

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Phone : 225486 Phone : 43668 Phone : 89322

**MEHRAULI NAJAFGARH NANGLOI SHAHDARA**

Phone : 73047 Phone : 35 Phone : 87226 Phone : 212889

As on 30-6-69  
(Rupees in Lakhs)

Authorised Share Capital	...	50.00
Subscribed & Paid-Up Capital	...	29.83
Reserves & Other Funds	...	22.72
Deposits	...	291.58
Loans		266.89
Working funds exceed	...	378.13
Interest on Savings Deposits	...	3½%
Interest on Fixed Deposits up to	...	7%

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*Hony Secretary*

**Lt. Col. Raghvendra Singh**  
*President*

**Capt. H. S. Lather**  
*Chief Admn. Officer.*

**Shri R. K. Gulati**  
*General Manager.*

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Mg. Director 2576

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Bhopal, Gwalior & Indore.

Pay Offices :

- (i) Tilak Bhumi Talaiya, Jabalpur.
- (ii) Rampur (M. P. Electricity Board Campus, Jabalpur).

Inspectortates :

Bilaspur & Satna.

Financial Particulars as on 30th June 1969

(Rs. in lakhs.)

Paid-up Share Capital	304.43
Reserve Fund & other reserves	380.74
Deposits	795.05
Working Capital	4722.49
Loans & Advances	4070.47

We accept all kinds of deposits at attractive rates of interest and provide all banking facilities. Your deposits with this Bank assist us to finance agriculture and agro-industries organised on co-operative basis. Thus your money helps the nation's economy. For details please write to or contact any of the Bank's Offices.

G. S. SHUKLA,

Managing Director.

K. P. PANDE, L. P. BHARGAVA, P. V. BOBDE,  
Chairman. Vice-Chairman. Manager.

## AGRICULTURAL CREDIT AND SMALL FARMER

By

Dr. Mrs. Dru. Srivastava,  
Agricultural Economist  
(Rural Credit)

Division of Agricultural Economics  
Indian Agricultural Research Institute,  
New Delhi-12.

Agricultural sector in India, besides providing food and clothing for people, feeds industries with raw material and earns foreign exchange from exports of various cash crops. Since, Agriculture is the main occupation of about 70% of the Indian people, the development of Indian economy mostly rests on the agricultural sector. In a traditional agriculture, resource productivity is low. Therefore, increased agricultural production can only be achieved through technical change which greatly raises the efficiency of production inputs. Fortunately, the large quantity of existing resources (i.e., land, labour) in a traditional agriculture have great potential and their productivity can jump up to very high level when combined with complementary new inputs like fertilizer, improved seed, etc. However, such economic transformation needs capital availability. The most limiting factor for the development of agriculture is capital. In India, very few farmers have their own resources to satisfactory finance their farm operations. Therefore, if sizeable increase in agricultural production is a must for economic development in India, adequate funds have to be made available to the agricultural sector. Thus, an important role has to be assigned to agricultural credit so as to contribute to the promotion of agriculture.

The surveys conducted by the Reserve Bank of India have revealed that the rural credit has, in the past, tended to be of sterile and unproductive kind. Basically, the institutional agricultural credit in India has suffered from (a) misutilization of credit, (b) misallocation of credit, (c) problem of overdues and (d) inadequacy of deposit mobilization. These are more pronounced in the case of small farms, (i.e., below 5 acres). According to the National Sample Surveys, 63% of the total holdings fall in this category and account for 19% of the total operated area. Any strategy for agricultural development must take responsibility for the development of

these small holdings. Just as the Farmers Home Administration in the U.S.A., serves the small farmers. Its major responsibility is to supervise financing of those low income or low-equity farmers, who need to make adjustments which will bring their income upto a more reasonable level. Thus, availability of credit is supplemented by proper guidance assistance at various stages.

The misutilisation of credit is being tackled by raising the kind component of credit and instalment disbursement of credit. However, the problem of misallocation of credit remains to be solved. The credit, though used for productive purposes, does not get allocated between different inputs in accordance with their respective marginal productivity. To lay guidelines for optimum allocation of credit between different inputs, (inter crop and intra crop wise) extensive research in resource productivity for different regions should be encouraged. The problem of overdue seems to be a perennial problem. A small farmer's returns and repayment capacity have obvious limits, and even if the credit is advanced in accordance with his returns and repayment capacity, a serious drought or flood or any other natural calamity completely paralyses his resources. Thus, since the risk-bearing ability of the small farmer is almost nil, it is a challenge as to how best the small farmer can be served by institutional credit. Many experts thought of co-operative system and general belief prevailed that the co-operatives were the solution for rural indebtedness. This belief was further confirmed and emphasized by the Rural Credit Survey Report and the Five Year Plans. In the words of the Rural Credit Survey Report, "Co-operation has failed, co-operation must succeed". Such a philosophy naturally dictated flow of huge funds towards the co-operative sector, but no significant results were achieved. Thus, so far, subsidised institutional credit has not proved successful. Basically, any subsidy should be a temporary measure. The aim of subsidised credit should be to help the cultivator to reduce his liabilities and can in no way be an effective solution to his problem of deficit economy.

The recent report of Rural Credit Review Panel clearly mentions that co-operatives alone will not deliver the goods and suggests multi-agency approach to rural credit including small farmers development agencies to cater the needs of those farmers who have inadequate inputs and credit but could pass from the stage of subsistence agriculture to commercial farm-

ing. Since co-operatives are no longer considered to serve the cause of small farmers the small farmer development agencies are suggested for the purpose. But one wonders as to how best one could locate the farms which could pass from the stage of subsistence agriculture to commercial farming. In the absence of extensive research in resources productivity, this will pose serious problems at implementation level. Assuming, it is possible to fix some criterion and locate such farms, the question arises as to what percentage of small farms will qualify for the same. Thus, the problem of those which do not qualify for (for the change over from subsistence to commercial farming) will still remain to be solved. Therefore, unless concentrated efforts are made towards improving the repayment capacity and the risk-bearing ability of the small farmer, he will continue to pose a challenge to the national economy.

The limited area of the land, automatically, sets limit on the level of returns of the small farmer. His cash resources are extremely limited. However, by and large, there is ample evidence that the small farm has surplus family labour. Therefore, if the labour resource of the small farm could be linked with credit, it is possible to raise his repayment capacity. One way to help him raise his repayment capacity of the small farmer by making full use of the labour resource of the farm family. The details for its actual implementation could be carefully worked out, keeping in mind the social set-up of particular area. This is important, because unless some specific efforts are made, and new thinking done, the small farmers will always create overdues problem and the institutional credit in such cases would continue to be unproductive and unsuccessful.

The association of high degree of risk and uncertainty with Indian agriculture, governs the cost and flow of credit, which in turn, governs the investment outlay. Therefore, tremendous efforts ought to be made towards controlling of floods, disease and pests, rate and rodents, waterlogging etc. The country periodically suffers from drought in some areas and floods in some areas. In other words, we have areas which suffer from excess of water and we have areas which suffer from shortage of water. Thus, there is a challenge to evolve schemes and projects which would solve this dual problem. Any such efforts would not only reduce the magnitude of risk

and uncertainty, but would automatically improve the repayment capacity of the farms.

As regards deposit mobilisation, the habit of savings should be linked with some strong purpose. For example, financing agencies should accept nominal periodic deposits for thread ceremony, marriage, birth, etc., so that these purposes offer strong incentive for savings of the rural community.

Whether the financing agency is a co-operative or small farmer development agency, the basic fact remains that unless we help the farmer to raise his returns, repayment capacity and risk bearing ability, the institutional credit will continue to be of unproductive kind leading to the failure of the very financing institutions.

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**THE WEST BENGAL CENTRAL COOPERATIVE LAND MORTGAGE BANK LTD.**

P-15, Indian Exchange Place Extension, 2nd Floor, Calcutta-12.

Telegrams : 'COPMORBANK'.

Telephone : 346478

**Financial Position as on 30-6-1969**

**I. CAPITAL & LIABILITIES:**

1. Paid-up Share Capital (of which Government shares Rs. 10 lakhs)	Rs. 26,13,800
2. Reserve and Other Funds created out of profit	Rs. 2,30,782
3. Government loan due	Rs. 22,83,827
4. Debentures	Rs. 405,00,000
5. Interim accommodation from West Bengal State Co-op. Bank and State Bank of India (Special Scheme)	—

**II. INVESTMENTS :**

1. Investment in loans due by Primary Land Mortgage Banks (no over due)	Rs. 315,46,779
2. Investment in Debenture Redemption Fund	Rs. 71,73,229
3. Investment in shares of Agricultural Refinance Corporation	Rs. 50,000
4. Investment in shares of West Bengal State Co-operative Bank Ltd. and other Co-operative Societies	Rs. 1,50,000
5. Investment of Reserve Fund and other funds in fixed deposit with West Bengal State Co-operative Bank Ltd.	Rs. 2,45,386
6. Investment in fixed deposit with West Bengal State Co-operative Bank Ltd.	Rs. 11,07,700
7. Furniture	Rs. 26,154
8. Interest due from Primary Land Mortgage Banks and others	Rs. 7,89,105
9. Bank account with West Bengal State Co-operative Bank Ltd., State Bank of India and Maharashtra State Co-operative Bank	Rs. 44,69,218

This Bank caters long-term financial assistance to the agriculturists of this State through the Primary Land Mortgage Banks situated at District and Sub-Divisional level for sinking of Shallow Tube-wells, purchase of pumpsets, acquisition of farm assets and for other agricultural improvement which may result in augmenting the agricultural production of the country.

This bank also advances money to the agriculturists of 24-Parganas, Midnapore and Howrah Districts for the development of Coconut plantation and to the agriculturists of Jalpaiguri and Cooch Behar Districts for the development of Arecaanut plantation under the special schemes sanctioned by the Agricultural Refinance Corporation.

**G. BISWAS,**

Deputy Registrar of  
Co-operative Societies,  
and  
Manager.

**A. K. CHATTERJEE,**  
Chairman.

Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd.,  
101, Ashok Marg, 'C' Scheme, Jaipur-1.

Telephone No. 742884.

Telegram : 'BHOOMIBANK'  
JAIPUR.

President : Shri Narain Chaturvedi.

As on 30-6-69

1. Authorised Share capital	Rs. 100.00 lakh
2. Paid up Share Capital	Rs. 62.94 lakhs.
3. Loans advanced	Rs. 583.29 lakhs.
4. Loans outstanding	Rs. 521.35 lakhs.
5. Debentures Floated	Rs. 412.20 lakhs.
6. Sinking Fund investments.	Rs. 45.22 lakhs.

The Bank is an apex institution advancing long term loans to the agriculturists through 33 primary land mortgage banks in the State. Loans are given mostly for wells, pumps-sets and tractors up to Rs. 20,000/- to an individual cultivator, repayable in 5 to 15 years. The rate of interest charged from the cultivator is 9%. Three special schemes of minor irrigation works and one scheme of land reclamation amounting to Rs. 415.81 lakhs have also been framed which are to be financed by Agricultural Refinance Corporation and the State Government.

For further details please contact Secretary of the concerned Primary Land Development Bank or this Bank.

S. K. Mathur,  
GENERAL MANAGER.

## PRODUCTION-ORIENTED SYSTEM OF LENDING IN LAND DEVELOPMENT BANKS

Copy of Circular letter No. A.C.D. OPR b 300|F.1-68|9 dated 23-5-1969 from the Chief Officer, Agricultural Credit Department, Central Office, Reserve Bank of India, Bombay 18 to Registrars of Co-operative Societies (All States).

DEAR SIR

The Land Development Banks have agreed that from and including 1968-9 they will advance not less than 90 per cent of their loans for productive purposes of agricultural development, of which at least 70 per cent will be for clearly identifiable projects like sinking of wells, purchase of pump sets, tractors and other farm machinery. The banks have, in accepting this discipline, clearly recognised the changed situation arising from improved agricultural technology. However, most of the banks have yet to adopt operational procedures which will render purposeful the adoption of new production-oriented lending policy. The matter was discussed recently at the seminar of Chief Executives of Land Development Banks convened by the Reserve Bank. We have given further thought to the matter and have prepared a detailed note for the guidance of the banks in re-orienting their loan policies and procedures. A copy of this note is also being sent to the state land development bank in your State and we hope that the necessary reforms will be introduced by the bank as quickly as possible so that loans advanced by it from 1 October 1969 are in conformity with the various suggestions made in the note.

**RESERVE BANK OF INDIA  
AGRICULTURAL CREDIT DEPARTMENT  
NOTE ON  
PRODUCTION ORIENTED SYSTEM OF LENDING IN LAND  
DEVELOPMENT BANKS**

The land development banks have agreed that from and including 1968-9 they will advance not less than 90 per cent of their loans for productive purposes of agricultural development, of which at least 70 per cent will be for clearly identifiable projects like sinking of wells, purchase of pump sets, tractors, and other farm machinery. The banks have, in accepting this discipline, clearly recognized the changed situation arising from improved agricultural technology as well as their obligations to the institutional investors like the Life Insurance Corporation and banks which have diverted valuable resources from other productive sectors of the economy.

2. However, most of the banks have yet to adopt operational procedures which will render purposeful the adoption of the new production oriented policy. For the purposes of the latter, the quantum of loan provided to an individual should be limited to the outlay on, or cost of, the investment on land or the machinery and equipment and should not be higher simply because the security offered by the borrower would cover a bigger loan. Secondly, repaying capacity would determine the borrower's eligibility for a loan and the duration of that loan. To lend more than is necessary, strictly, for the capital investment needlessly immobilises scarce resources and deprives other would-be borrowers of much-needed finance. This is particularly reprehensible when domestic consumption expenditure is allowed to inflate individual loans. The annual repaying capacity would decide the appropriate duration of the loan so that no individual is allowed a period longer than is necessary. This will ensure a quicker rotation of funds and also reduce the interest burden on the borrower. Also borrowers who have already achieved some prosperity through the adoption of improved techniques and irrigation may be in a position to plough back part of their increased incomes into the proposed development. The extent of this self-financing capacity should be assessed and the proposed loan reduced accordingly.

3. If the amount of loan to an individual is to be within the bounds of expenditure on the improvement, the land development bank must lay down scales of finance per unit or acre. Most of the outlay on levelling and bunding of land and digging of surface wells is on labour where fluctuations in cost are not likely to be frequent. It may, therefore, be enough if the scales are prescribed by the land development bank once every year. Prices of oil engines, electrical motors and accessories, tractors, power tillers etc. may fluctuate even during the course of the year and it will be advisable to keep the price lists of approved manufacturers and suppliers constantly under scrutiny so that significant changes in prices with course of the year can be provided for by alterations in the norms.

4. When financing the purchase of oil engines, electrical motors, tractors etc. and their accessories, care should be taken in scrutinising invoices from the suppliers, since these have sometimes been found to include several items which are not actually supplied to the borrower. Such bogus expenditure frequently covers "ways-and-means" advances to the cultivator; in some cases the additional loan amount has been appropriated to his subscription towards rural debentures. Typical instances of bogus items are excess lengths of piping and joints, sockets and couplings, excessive cost put down against materials and erection of pumphouses or installation of electric lines, including deposit with the Electricity Board, excessive spare parts for tractors and other machinery and appurtenances not in fact purchased. By now, banks will have gained sufficient experience to be able to fix a realistic ceiling of cost for accessories, which are generally of standard specifications.

5. Fixing appropriate scales of finance for levelling and bunding land and for construction of surface dug-cum-bore wells or tube wells presents somewhat greater difficulty. With wells, the outlay will vary from area to area depending upon the depth upto which one has to go and the nature of the soil strata. Geological survey data are not always available and hence the land development bank will have to proceed on the basis of local experience and observations as well as help from the Agriculture or Minor Irrigation Departments. Fortunately, there are relatively few areas where such indicators are not available and therefore, in most cases realistic norms can be easily fixed. The dangers of a bank allowing a grossly over estimated loan are small, if reasonable care is taken. A serious danger is, however, that available sub-soil water would already have been adequately tapped and loans for new wells

in such an area would be clearly infructuous, besides damaging the interests of existing irrigators. In the case of tube wells where the work is generally undertaken by a Government Department or a private firm the rate per foot is standard and the depth up to which one has to go for adequate supply of water locally is also reasonably well known and, therefore, the quantum of loan in the different areas can be determined with reasonable accuracy.

6. Precautions such as the above will involve some patient and detailed work by each land development bank. In most of the banks no attempt is made to fix area-wise scales and loans are generally advanced up to a ceiling more or less uniformly to everybody without trying to ascertain whether the quantum provided is too large or too small. In one State the amount provided was so little that the bank was called upon to sanction shortly afterwards large loans under the need "repairs to wells." In another state, the amount provided uniformly to every one was more than required to meet the cost of the work in a number of cases: But in order to conceal the excess the rate at which "earth-work" was to be paid for was itself "adjusted". If the quantum of loan for digging new wells is fixed to cover the cost of digging the well, there may be no occasion to sanction again large amounts in the name of 'repairs to wells', unless in the meanwhile the water table has itself gone down in the area on account of drought or other reasons. There is danger in sanctioning amounts which are inadequate to cover the outlay involved, because an incomplete or inadequate "improvement" may prove a burden instead of an asset to the borrower. This is particularly the case where only brackish water is to be found in the upper strata and wells have to be sunk deeper to strike realiable currents of sweet water. Each land development bank will, therefore, be well advised to study these questions in detail and prescribe scales of finance for new wells which are neither excessive nor inadequate.

7. Loans purporting to finance "levelling and bunding of land", "preparation of land for orchards" and "plantation", "reclamation of land" or "fencing" are frequently intended simply for "ways and means". In most cases the work involved is traditionally carried out as routine annual operations by the cultivator with the help of his family or labour engaged on an annual basis. Some levelling and bunding of land may be necessary for the first time following the construction of a

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Hyderabad 27.

Telegrams : "Anmorbank" Telephone : 47471 & 46150

PRESIDENT : SHRI K. VENGALA REDDY, B.A., M.L.C.

As on 30-6-1969	Rs. in lakhs.
1. Paid-up share capital	407.58
2. (a) Statutory reserve fund	71.00
(b) Other reserves	45.38
3. Debentures in circulations	6397.78
4. Loans outstanding	6077.25
5. Sinking fund investments	1115.21
6. Number of PLMBs	180

The Bank is the apex institution providing long-term credit to the agriculturists in the State of Andhra Pradesh for purposes like (1) Sinking of open wells, tube wells, filter points, (2) purchase of electric motors, oil engines and pumpsets, (3) purchase of tractors and other agricultural machinery and (4) reclamation of land. The extent of the finance provided by the Bank for the various purposes during the past four years is as follows:—

	No. of loans	Amount (Rs. in lakhs)
1965-66	47015	1,122.02
1966-67	42903	1,018.72
1967-68	43098	1,194.21
1968-69	65179	1,803.06

From the year 1963-64 onwards the Bank has also been advancing long-term loans for the reclamation of lands under the aycut of big projects like Nagarjunasagar, Kaddam K. C. Canal, Tungabhadra High level Canal and various minor irrigation projects and area development schemes throughout Andhra Pradesh with refinance from the Agricultural Refinance Corporation and Government of Andhra Pradesh.

S. A. H. RAZVI, B.A., DIP, S.S.A.

## **Managing Director.**

THE GUJARAT STATE CO-OPERATIVE BANK LTD.

Sahakar Bhavan, Relief Road, Ahmedabad.

Telephone: 26293 General

Telegrams : 'Apexbank'

25917 Managing Director

Shri Maganbhai R. Patel : Chairman.

Shri Jadavjibhai K. Modi : Vice-Chairman.

(30th June, 1969)

Paid-up Share Capital	...	Rs.	265 lakhs.
Reserve & Other Funds	...	Rs.	340 lakhs.
Total Deposits	...	Rs.	2110 lakhs.
Borrowings	...	Rs.	2282 lakhs.
Working Capital	...	Rs.	4997 lakhs.

The Bank offers attractive rates of interest on deposits and finances agricultural and industrial activities run on Co-operative basis. It also provides remittance facilities on all important centres in the State and outside and transacts all kinds of banking business. Lockers are available in Bank's premises.

Invest all your savings with us.

C. K. PATEL,

Managing Director.

new well or installation of a pump set. The cultivator may decide to have barbed wire or stone wall fencing for protection of crops. But these are generally rare cases: It is advisable that ordinarily the need for "levelling", "bunding", "fencing" etc. should be unmistakably established by the borrower and preferably certified by an agricultural export. It is necessary also to lay down appropriate scales per acre. Fortunately, a number of areas have been "contour-bunded" by soil conservation authorities; also schemes involving levelling, bunding etc. in areas covered by major or minor irrigation schemes have been approved by the Agricultural Refinance Corporation on expert evaluation of cost. Scales adopted for such area schemes will provide valuable guides for loans to individuals for similar purposes.

8. Land development banks have to ensure that every loan sanctioned in itself generates such an extent of additional profitability of cultivation as will enable the borrower to repay it within a reasonable period. It is observed, however, that the assessment of repaying capacity by most banks is largely a mere formality. No attempt is generally made to take into account the change in the cropping pattern and the resultant increase in the gross agricultural income following the improvement in the land such as a new well or a pumpset. What happens in most cases is that the individual's income from his entire holding including even the lands in other villages not mortgaged to the land development bank is taken into account and if that is not adequate to leave enough net surplus to cover the instalment of the loan, even the off-farm income is considered. On the expenditure side, account is seldom taken, in the case of loans for pumpsets, tractors and other machinery, of the operating costs including depreciation, insurance, taxes etc. where they are relevant. There are wide variations in reckoning family expenditure and often this item is reduced so that the individual is left with just enough net surplus to meet the instalment of the loan. This subject, however, raises several important issues which have to be examined carefully. These are referred to in the following paragraphs.

9. An initial point to be considered is whether the banks should assess the repaying capacity separately for each individual or whether they should, on the basis of studies carried out of a large number of individuals in an area, prescribe only the minimum number of acres an individual should possess to make him eligible for a given quantum of loan for a specified

purpose. An assessment on an individual basis involves a certain amount of subjective judgement which it may not be advisable to entrust entirely to the supervisor scrutinising the loan application or to a local committee. Moreover, a subjective assessment made for an individual with reference to the situation obtaining at the time the application is made may not necessarily remain valid over a long period. This will, therefore, involve a study of a fairly representative sample of individuals residing in the area to work out the annual repaying capacity per acre for an average cultivator. In the case of loans for purchase of oil engines, electrical motors, tractors and other agricultural implements, where the life of the investment itself is not too long, it may be advisable to restrict the period to a maximum period of say ten years, although even a shorter period would be preferable. The repayment of land development bank loans is on an annual equated instalment basis so that one can know in advance the size of the annual instalment for a given amount of loan at a specified rate of interest for a specified period. If this is X and if the annual repaying capacity per acre estimated for an average person is Y, the minimum acreage required by the borrower to qualify for a loan for a given purpose will be  $X|Y$ . It follows, therefore, that all individual applicants above the line should qualify for the loan and all those who are below should be denied the facility without working out in detail the repaying capacity separately for each individual.

10. The repaying capacity is the difference between the annual income and the annual expenditure of the borrower. The point to consider next, however, is about the items that should be included in arriving at the amount of income. Should one consider only the additional income generated by the particular investment or improvement effected by the borrower out of the loan from the bank? Or should one take into account the total farm income of the borrower from the lands which receive direct benefit from the investment as well as from those others which are not involved in the improvement or are too distant to receive any benefit from the improvement. Or should one include not only the total farm income but also the off-farm income which the borrower gets? Finally, one has to consider whether allowance should be made for the extra income the borrower is likely to get from the sale of water from the surface or tube well or hiring out the tractor or power tiller.

11. In a production oriented system of loaning, the grant of a loan for a specific investment or improvement can be justified only if the additional income arising therefrom is sufficient to liquidate the loan together with interest within a specified period which may not be more than say 10 years for loans for the purchase of plant and machinery and more than say 15 years in the case of loans for wells and such other permanent improvement in land. It follows, therefore, that no loan can be justified if its repayment is dependent on the income derived by a person from the lands which are not receiving any benefits from the improvement or investment financed out of the loan from the bank or from the off-farm income. The case for the inclusion of off-farm income is weak for the reason that this will introduce a sharp element of uncertainty about such income and there may be no guarantee of the continuance of the income over the entire period of the loan. The point for consideration is while the income from the land other than that for which the investment is made will not justify the grant of a loan for productive investment, whether note should be taken of that income and the resultant surplus to reduce the period of the loan. To take an example, a cultivator having a total holding of say 15 acres obtains a loan for a well and a pumpset together amounting to say Rs 5,000 or only for an electrical motor and pumpset costing about Rs. 2,500. The capacity of the well or pump set is limited to say, five acres only and hence the additional income and repaying capacity generated on the five acres should be considered in determining the eligibility of the person for a loan. On this basis, the loan for a well may have to be for full 15 years. But if the income from the remaining 10 acres is also considered, perhaps the period of the loan for the pumpset could then be for, say 8 years or even 7 years instead of for ten. The reduction in the period is advantageous both to the borrower and the bank. The former saves in interest and the later secures a quicker turnover of funds. As a general rule, therefore, it can be stated that it is desirable to take into account the total farm income of an individual, i.e. from all the lands cultivated by him and normally of the piece of land in which the improvement is to be made, for the purpose of reducing the period of the loan and not for determining his initial eligibility for a loan which should be with reference only to the additional income generated by the proposed improvement or investment in land.

12. Finally, one has to examine whether the income from the asset created out of the loan from the land development bank

should include that from hiring it out to others. To take an example, a tubewell may have the capacity to irrigate say 25 acres of land, but the borrower may not be having a holding of that size or may not be having it in a compact block to take full advantage of the available water. The borrower can sell the water to his neighbours. A tractor opens out more possibilities of extra income because of its mobility and the variety of uses to which it can be put. It is possible even to move an oil engine from one well to another so that two individuals can make use of it, one as an owner and the other as a hirer. Though the possibilities of income from hire or rent do exist, it may not be correct to say that they will continue to exist on the same scale throughout the currency of the loan. One cannot also rule out the neighbours themselves going in for a tubewell or a surface well, in which case their custom will be lost and the income taken into account may itself disappear. All these would indicate that the additional income earned by a borrower from sale of water or hiring of an asset should not be reckoned as income for the purpose of arriving at his net repaying capacity. However, in view of the common practice of sale of water or hiring of tractors account may be taken of such income to reduce the total period of the loan.

13. The net surplus that may become available every year for repaying the instalment of the loan will be arrived at after deduction from the gross farm income the expenditure over farm operations and the maintenance of the family. Farm expenditure will include not only the expenses over the purchase of seed, fertilizer, insecticide etc. and labour but also over the purchase of oil in the case of oil engines and tractors and the payment of electricity charges in the case of electrical motors. Allowance should also be made for normal repairs and maintenance of the engines and machines and payment of taxes and insurance premia where they are applicable. The expenditure over inputs will depend upon the cropping pattern that is expected to follow the investment in land and the degree of intensity of cultivation which the farmer is expected to adopt. Most land development banks take no cognizance of the likely changes in the cropping pattern and also in the intensity of cultivation that becomes possible because of a well or a well with a pumpset or a tractor. Consequently, no attempt is made to assess farm outlay with reference to the change in the cropping pattern. Similarly, the banks often ignore the operating costs of oil engines, electrical motors, tractors etc. and the charges on account of taxes and insurance payable on

**THE HARYANA STATE CO-OPERATIVE LAND  
MORTGAGE BANK LIMITED.**

Sector 17-E, Chandigarh.

Telegram : 'Krishibank'

Telephone : Offi. 6680  
Res. 6652

A BANK OF FARMERS

*Advances Long Term Loans for :*

- (i) Sinking of wells and repair of wells.
- (ii) Installation of tube wells and pumping sets.
- (iii) Purchase of Tractors and other heavy machinery, and
- (iv) Other land development purposes.

THROUGH

22 Primary Co-operative Land Mortgage Banks  
in the State of Haryana viz:

Ambala, Jagadhari, Kaithal, Karnal, Hissar, Sirsa, Fatehabad,  
Hansi, Bhiwani, Rewari, Gurgaon, Ballabgarh, Palwal,  
Rohtak, Gohana, Sonepat, Jhajjar, Jind, Narwana,  
Mohindergarh, etc.

Six Special Development Schemes for integrated areas, with  
the help of Agricultural Refinance Corporation, Bombay, are  
under implementation.

This is the newest Land Mortgage Bank, but has consistently  
and increasingly acted as the financial arm to Agricultural  
Development in the State of Haryana as is revealed from a  
glance at the figures below:

	(Rs. in lakhs)			
	As on 1-11-66	As on 30-6-67	As on 30-6-68	As on 30-6-69
1. Share Capital	13.82	20.99	38.70	76.78
2. Working Capital	152.68	217.61	457.74	1068.32
3. Loans outstanding	126.74	166.26	365.05	963.17
4. Debentures in circulation	132.09	191.78	393.25	975.73
5. Rate of Interest	7 $\frac{1}{4}$ %	7 $\frac{1}{4}$ %	8 $\frac{1}{4}$ %	8 $\frac{1}{4}$ %

MAJOR RADHA KISHAN,  
President.

VIJAI SINGH,  
Secretary.

### YES WE PUT LAZY MONEY TO WORK

- \* The un-used money lying with you earns handsome interest with us.
- \* Further, your money enriches Haryana's soil because it is pumped into it as fertilizer and better seed.
- \* Your money enables farmers to purchase tube-well, milch-cattle and Poultry.
- \* Thus, the money, which is lying unused with you now, earns interest for you and the interest is not just in our books, it is on the faces of farmers too.
- \* With sound knowledge of Agricultural financing that comes from working through net work of over 10,000 Village Societies we welcome you to bank on us.

THE HARYANA STATE CO-OPERATIVE  
BANK LIMITED, CHANDIGARH.

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J. C. KANWAR,  
*Manager.*

tractors. An estimate of farm outlay which ignores such important items which have a bearing on the outlay can hardly be considered adequate.

14. Family expenditure has become in many cases an adjustment item to show adequate repaying capacity for every borrower. The per capita expenditure is increased or decreased by the scrutinising officials without any scientific basis so that the calculation of family expenditure has been reduced to a mere formality gone through for complying with the prescribed procedure. A point which arises is whether the whole or only a part of the family expenditure may be treated as a charge on the farm income thereby increasing the net surplus available for repayment towards the instalment of the loan. On the other hand, it may be argued that the minimum amount required for the maintenance of a family may be regarded as a charge entirely on the farm income which is the mainstay of the individual and the off-farm income may be taken to support the requirements over and above the need-based minimum. Some allowance may also have to be made for an increase in the standard of living of the borrower following the adoption of improved agricultural practices.

15. The method adopted for arriving at family expenditure should take into account the consumption needs of average cultivator who, as a result of the investment in land, will enjoy a little better than average standard of living in the past or who may fall back upon a little off-farm income to support himself and his family instead of placing the entire burden of this expenditure on farm income. Under these circumstances, a proper solution seems to be to allow for family expenditure at a certain percentage of the gross farm income. According to the National Sample Survey, 16th Round (1960-61) the average per capita monthly expenditure of a rural family amounted to Rs 21.44. Since the survey, the consumer price index has gone up so that the monthly per capita expenditure may now be placed at about Rs 35. For a family of 5 persons this may be about Rs 2,100 per annum. If it is assumed that about 20 per cent of this expenditure is met from off-farm income, the charge of family expenditure on the farm income will amount to about Rs 1,700. A surface well or a pumpset may irrigate about 5 acres of a cultivator's holding yielding a gross farm income of not less than Rs 5,000. On this assumption it may be said that family expenditure may be assumed at 1/3 of the gross value of farm produce. A portion

of the farm income above Rs 5,000 may be allowed to be used by the borrower in improving his standard of living. If 25 per cent of the extra income above Rs 5,000 is allowed as additional family expenditure, it is felt that the borrower will have sufficient incentive left for undertaking the improvement. Thus, if the total gross income from the farm as well as from the sale of water or hiring tractor etc. is say Rs 10,000, the allowance for family expenditure will be Rs 1650 + Rs 1250, that is, a total of Rs 2,900. To this will have to be added the expenses of cultivation and the operating costs in the case of oil engines, electrical motors or tractors, so as to arrive at the total annual expenses of the borrower. Deducting this from the total gross income, one will get the amount of net surplus which the borrower can safely apply towards the repayment of the instalment of the loan. This will also determine not only the eligibility or otherwise of a person for a loan but also the period of the loan, if it can be sanctioned.

16. The above are certain general guidelines for assessing repaying capacity. Detailed norms can be prescribed in a scientific manner only on the basis of studies conducted in the cost and benefit aspects of the investment or improvement proposed out of the loan from the land development bank. Each type of loan advanced by the bank will require a separate study and, therefore, the studies will cover the following items:

- (i) Sinking a new surface well; (ii) Sinking a tube-well—shallow as well as deep (iii) Sinking a new well and installing a diesel engine and pumpset; (iv) Sinking a new well and installing an electric motor and a pumpset; (v) Fitting an existing well with a diesel engine and pumpset; (vi) Fitting an existing well with an electric motor and pumpset; (vii) Purchase of a tractor; (viii) Purchase of a power tiller; (ix) Construction of bunds and fences; (x) Levelling of land and such other items of land improvement. These studies will have to be conducted not only purpose-wise but also for the different areas in the state as the cropping pattern as well as the outlays on certain types of investments such as a well may be different for the various areas, although the cost of certain other types of investment such as an oil engine, electric motor, tractor, powertiller is not likely to vary substantially from area to area. It will be necessary to study a representative sample of individual cultivators who are already having the investment on their land and those who are without such an investment. This will give an indication of the likely changes in the income and also of the income from that part of the holding of

a cultivator which is not affected by the investment or improvement.

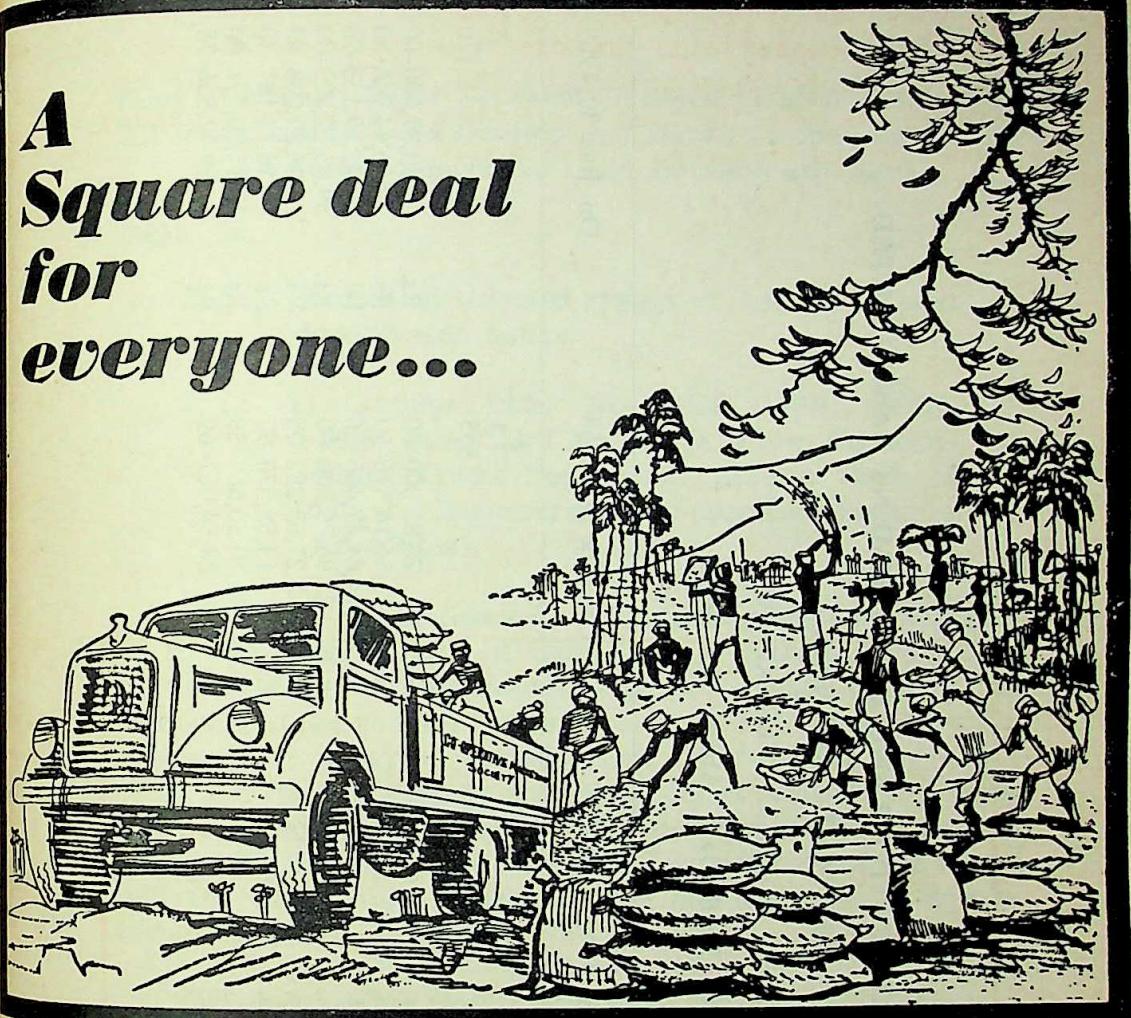
17. The studies as indicated above will necessitate a great deal of field work by the banks which may have to be carried on over a period of one or two years depending upon the number of persons the banks are able to put on the job. Further, the studies will have to be conducted under expert guidance. It may be mentioned that the Rural Economics Division and the Division of Rural Surveys of the Economic Department of the Reserve Bank have developed certain techniques and they acquired considerable knowledge in the conduct of cost-benefit studies specially in respect of the schemes to be financed by the Agricultural Refinance Corporation. It should be possible to request these Divisions to train some teams to carry out the surveys and studies, but the responsibility for the work will fall primarily on each central land development bank. It will be necessary for each bank to set up immediately a separate department for the purpose of conducting the surveys and studies. Apart from the departments set up in each bank with a fair complement of staff, it will be advantageous if the All-India Land Development Banks Union also maintains a cell for overall guidance to its member banks. The cost involved should not deter the central land development banks and the All-India Land Development Banks Union from appointing them because the banks cannot undertake their productive lending programmes without such cost benefit studies.

18. The detailed studies suggested above with the help of staff specially trained and appointed for the purpose may take some time. In the meanwhile, the central land development banks may work out the incremental income, the expenses of operation and family expenditure for each purpose and each area taking into consideration such local knowledge and information they may be having on the subject. In the interest of uniformity of approach it will be better if a small Technical Committee is appointed by each bank consisting of a few members of the Board, and the representatives of the Co-operation and agricultural Department to go into the subject area by area, and purpose-wise and suggest the minimum acreage below which loans may not be sanctioned to an individual. The Committee could also suggest the appropriate period for which loans may be sanctioned to different individuals taking into account also the farm income from holdings other than those

on which the improvement or investment is effected. Loans may be sanctioned in the first one or two years on the basis of the standards recommended by the Committee. Once the studies are over, the bank may switch over to the standards prescribed on the basis of these studies.

A few copies of the printed book "Chapters and Recommendations relating to Land Development Banks and Agricultural Refinance Corporation from the Report of the Rural Credit Review Committee" are available with the Union. For supply of copies orders may be placed with the Union. Each copy is priced Rs. 2-00.

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This is not a mere claim but what we actually do provide. Co-operatives are the only institutions directly engaged in the promotion of agricultural enterprise.

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*Farmers' friend and Financial Guide*

**THE MADRAS STATE CO-OPERATIVE BANK LIMITED,**  
271, Angappa Naick Street, Madras-1.

R. Kanakasabai M.L.A.,  
President.

D. Varthamanan,  
Secretary.



## UTTAR PRADESH STATE CO-OPERATIVE LAND DEVELOPMENT BANK LIMITED.

10, MAIL AVENUE,

HEAD OFFICE : LUCKNOW

## Some Particulars About the Bank

S. No.	Particulars	On June 30, 1961	On June 30, 1968	On June 30, 1969
1.	Head Office	1	1	1
2.	Number of branches	30	155	170
3.	Paid up share capital :			
	(a) Government	Rs. 15,00,000	Rs. 70,87,000-00	Rs. 70,87,000-00
	(b) Individuals	Rs. 33,744	Rs. 1,56,16,576-50	Rs. 2,66,44,748-50
		Rs. 2,58,085	Rs. 24,64,47,485-36	Rs. 42,49,79,153-76
4.	Loans Outstanding	Nil	Rs. 23,96,75,200-00	Rs. 39,63,52,200-00
5.	Debentures in circulation	Nil	Rs. 2,27,83,282-03	Rs. 4,48,29,008-83
6.	Sinking Fund	Rs. 69,352	Rs. 13,58,570-97	Rs. 15,78,187-30
7.	Reserve & Other Fund		Rs. 10,30,50,660-39	Rs. 18,97,90,991-00
8.	Loans disbursed		Rs. 28,54,067-69	Rs. 59,42,556-75
9.	Net Profit			

**Copy of circular letter No. 64|69-70 dated 11-11-1969 from the  
All India Central Land Development Banks Co-operative Union  
to All State Co-operative Land Development Banks.**

DEAR SIR,

*Sub : Production oriented system of lending in land development banks.*

*Ref : 1) Circular letter No: ACD. OPR. 6300|F  
1-68|9. dated 23rd May 1969. From the Agricultural Credit Department, Reserve Bank of India to Registrars of Co-operative Societies (All States).*

Under the production oriented system of lending suggested by the Reserve Bank of India in their circular cited above, detailed surveys and studies will have to be made to fix norms in regard to the quantum of the loan, period of repayment with reference to repaying capacity etc., purpose-wise and area-wise, and for this purpose the setting-up of a separate department in each bank with fair complement of staff and of a small technical committee, consisting of a few members of the board and the officers of the co-operative and agricultural departments have been suggested.

Detailed studies have been made by the Gujarat State Co-operative Land Development Bank regarding the procedures to be adopted for laying down norms relating to the cost of the improvement to be effected, calculation of the net income of the farmer to assess his repaying capacity and other relevant suggestions made in the Reserve Bank circular. A Copy of the note prepared on the basis of the studies made is enclosed for the information of the Member Banks.

## PRODUCTION-ORIENTED SYSTEM OF LENDING IN LAND DEVELOPMENT BANKS

In their circular No. ACD. OPR. 6300|F-1-68|9 dated 23rd May, 1969, the Reserve Bank have made various suggestions which could be adopted by state land development banks for reorienting their loan policies and procedures. According to these suggestions it will be necessary for each state land development bank to draw up detailed procedures for laying down norms relating to the cost of the improvement to be effected, calculation of net income of a farmer to assess his repaying capacity and other relevant suggestions made in the circular. The central land development banks are also expected to appoint a small technical committee to determine, pending the completion of detailed studies, the minimum acreage needed for sustaining the loans given for various purposes and to fix the periods of the loans. In this note, an attempt has been made to lay down the various procedures which might serve as a working manual for the land development banks in adopting a production-oriented lending policy on the lines suggested by the Reserve Bank.

The items dealt with are (i) fixation of appropriate scales of finance (ii) assessment of repaying capacity (iii) determination of the period of the loan and (iv) the form of application in which details have to be called for and the form of the inspection report. At the end, the information which should be available with the State Co-operative Land Development Bank itself and information which has to be collected from the applicant has been summed up.

The various items are discussed below:

**1) a) Fixing appropriate scales of finance:**

The first step which central land development banks have to take is to determine the amount of finance which might be needed for a given purpose on a unit basis, e.g. wells, pump-sets etc., or on a per acre basis in the case of reclamation, bundling and levelling of lands. The following factors may be kept in view in determining the scales:

**(i) Construction of dug wells and dug-cum-bore wells:**

The cost of a well will vary from region to region in the same State and will also depend on the size (i.e. depth and diameter), the nature of substrata as well as the type of construction, (brick masonry, R.C.C., etc.). The dimensions should not be more than the conventional dimensions followed in the area. The size of the wells can be determined from the previous experience of the bank as well as whatever information is available with the Agriculture Department. In the case of a dug-cum-bore well where the bulk of water supply comes from the bore, the diameter of the well can be kept at the minimum to facilitate easy installation and operation of the centrifugal pump. The depth of the well can also be kept at a minimum i.e a few feet below the water level in the bore during the dry season. The nature of the sub-strata will have an important bearing on the labour involved in digging and the cost thereof. It should also be possible to estimate the cost of lining the well with brick masonry or R.C.C. The diameter of the bore should be determined from the point of view of the quantity of water needed and the space needed for installation of the pump with the non-return valve or a foot valve. Instead of a foot valve, it will be desirable to fix a non-return valve although this might be costlier initially. The cost of boring can be determined on the basis of the diameter and depth of the bore. The Agricultural Refinance Corporation has sanctioned schemes of minor irrigation in some areas and information regarding the cost worked out by the Corporation will also prove to be useful. In determining the cost of a well, the experience of the farmer himself as well as the bank and the data available with the Agricultural Department and the Geological Survey of India will be the deciding factors.

It might be useful for the State Land Development Bank to work out the standard cost for a small, medium and large well in each homogenous area and indicate these as the maxima for loans for wells in the respective areas. If the amount of loan applied for is higher than the standard for the particular size, only the standard cost may be sanctioned and the individual applicant may be left to find the balance of the amount on his own.

**(ii) Oil-engines, electric motors and pumps:**

Selection of the size of the pumping installation, should be with reference to the availability of water in the well for

steady pumping and the requirements of the area to be irrigated whichever is less. Regarding the quality of oil engines and pumps, the Indian Standards Institution has not formulated any standards. The State Land Development Bank will, therefore, have to approve the makes of the various oil engines and pumps in the market. Some of the land development banks have obtained detailed information from the manufacturers and with the help of technical experts have prepared approved lists of the engines and pumps which alone would be eligible for finance from the bank. The rules and proforma adopted in one state are appended for information and guidance, (Appendix-I). In the case of electric motors, it is usually a composite unit of motor and pump and most of the motors, carry the mark of the Indian Standards Institution. The banks may lay down a condition that only those makes bearing the ISI mark for motors and having test certificates for the pumps will be considered for finance. There need, however, be no objection if a land development bank approves specifically and lays down standards for loans for the various makes.

For determining standards for loans for the pumpsets, the State Land Development Bank should obtain periodically latest price lists from each approved manufacturer and the loans should be strictly limited to the prices indicated therein. The manufacturers should be required to notify to the bank price changes, if any. Price lists should be communicated to the branches or primaries and the information made freely available to the intending borrower to enable him to make his choice. This would check over-invoicing by some of the selling agents.

### (iii) Accessories:

The cost of the accessories for the pumping installation will depend upon the size and quality of the pump and the depth of the well. Minimum accessories needed will be counter-shafts, pulleys, belts, iron pipes, sockets, bends, foot-valve, non-return-valve and iron girders or wooden logs for fixing the pump in the well. The demand for loans for accessories should be scrutinised with a view to ascertaining if they are on the high side. The bank should itself work out the cost of accessories needed for oil-engines of different horse power and this should be standardised. If extra accessories are needed, the cost thereof, should be borne by the borrower himself.

**(iv) Installation of oil-engines and construction of engine-room:**

The cost of providing the foundation for setting the oil-engine will depend upon the size of the engine and can be standardized. As regards the engine-room, the bank should fix the maximum dimension permissible (length, breadth and height) and an uniform cost should be fixed.

**(v) Electric-transmission lines & deposits with the Electricity Board:**

The cost in these cases will be assessed by the Electricity Board itself and may be adopted.

**(vi) Construction of tubewells:**

In most of the States, there are private firms undertaking the sinking of tube-wells and the charges quoted by them are competitive. However, in order to ensure that the work executed by the private contractors is satisfactory and the drilling charges are reasonable, the bank will have to prepare a list of approved contractors. For this purpose, necessary details regarding equipment owned, staff employed, the rates charged for drilling etc., should be obtained. For being placed in the approved list, the contractor will have to fulfil certain conditions, e.g., he should not charge more than the notified rates, he should take up the work strictly in rotation and should not insist that costly equipment such as strainer pipes, turbine pumps etc., should be purchased only from particular manufacturers. In the choice of equipment, the borrower should have the option, but all relevant particular should be furnished by him regarding the depth of the tube-well, the size and length of the housing pipe, the size and length of the casing pipe and the size and length of the strainer pipe, size and discharge capacity of the turbine pump and diameter of the bowls of the turbine pump and the size of the engine or electric motor. The estimated cost of each of the items mentioned above should also be indicated in the loan application. The bank will have to make an individual assessment in each case. In case of any technical defect resulting in complete or partial failure of the tubewell, the bank should have a right to obtain compensation by adjustment against the deposit kept by the contractor with the bank.

The rates quoted by the approved contractors should be communicated to all branches and primaries with instructions

to give sufficient publicity to them to enable the intending borrowers to make their choice. If the Government departments themselves undertake the work of sinking tubewells, the cost fixed by the Government may be adopted.

**(vii) Underground Pipelines:**

In some of the States, there is a growing demand for laying underground cement concrete pipes for irrigation purposes. These are needed particularly where tubewells or lift irrigation projects are in operation. It should be possible for the banks to fix standard costs in this regard on the basis of the diameter of the pipes, their length and quality.

**(viii) Tractors:**

As the cost involved would be very heavy, banks will have to make an individual appraisal in each case. The prices of tractors, of which there are only 5 or 6 makes, are fixed by the Government of India. The usual implements needed would be the plough, cultivator or a disc-harrow and a leveller. A trailer will also be necessary for transport. The maximum prices for these items should be approved by the bank. If any extra implements are demanded, the bank may examine the need and thereafter determine whether the borrower will have adequate repaying capacity for the extra loans.

**(ix) Power tillers:**

The prices of power tillers are also fixed by the Government of India and these may be notified to the branches and primaries. The loan case may be appraised individually.

**(x) Lift Irrigation Schemes:**

Loans for this purpose will usually be in the form of a joint loan to a number of cultivators or a composite loan to a co-operative society formed for the purpose. The cost will have to be assessed by the bank separately in each case with the help of its own technical staff or that of Government Departments concerned.

**(xi) Levelling, field channels, drainage and fencing:**

In the case of banks which have already on their staff agricultural officers, the need or otherwise for the above items by

the prospective borrowers should be determined on the basis of their spot-inspection. In the absence of such officers, the banks may seek the assistance of the Agricultural Department. In areas where levelling, laying of water channels, drains and conversion into paddy lands is being undertaken by the Government, the cost fixed by the Government may be adopted. In areas where the work is not undertaken by the Government, the scales may be determined with reference to those evolved by the Agricultural Refinance Corporation in areas financed by it for schemes of levelling and field bunding of 'Kyari' lands. In some States, soil conservation authorities undertaking schemes of contour bunding, will have adequate information regarding the cost of levelling, bunding, etc., and this would provide a useful guide. As regards barbed wire fencing, the cost may be determined on the basis of each running foot taking into account, the number of rows, the type and quality of the barbed wire, cost of angle iron used etc. In the case of stone fencing, the cost may have to be determined on the basis of cost of material used, cost of labour etc.

**(xii) Construction of farm houses, cattle sheds, godowns, for storing farm produce, and agricultural inputs either in the village or farm, canning and preservation of fruits, oil pressing cotton ginning, khandsari making, tobacco curing barns, chilling plants for milk, cold storage etc.:**

Long-term loans might be needed for those purposes also and each bank will have to determine the economic and technical feasibility in each and the quantum of finance should be decided on the basis of the estimates and plans by a competent authority. Each case will have to be appraised individually.

**b) Action to be taken by the State Land Development Bank for issue of loans for various purposes:**

1) In the case of dug wells and dug-cum-bore wells, the State Land Development Bank should work out the standard cost for a small, medium and large well, for each homogenous area in the State. Loans should not be allowed in excess of these standards in the respective areas.

2) The bank will have to approve the makes of oil-engines and pumps as the Indian Standard Institution has not formulated any standards in this regard.

- (3) As regards electric motors and pumps, only motors bearing the mark of the Indian Standards Institution and pumps bearing the test certificates should be considered for finance.
- (4) The state land development bank should obtain latest price-lists from each approved manufacturer and the loans should be limited to the prices indicated. The manufacturers should also be required to notify to the bank any changes in the prices.
- (5) The bank should work out the standard cost of accessories for engines and pumps.
- (6) A list of approved contractors should be prepared by the bank for construction of tube-wells financed by it.
- (7) The prices of the accessories for tractors should be approved by the bank.
- (8) The need or otherwise for levelling, construction of field channels, drainage, fencing farm structures, cold storage etc.. should be determined by the bank, if necessary, with the assistance of the Agriculture Department. Scales of finance may be determined on the basis of the cost fixed by Government or with reference to the scales evolved by the Agricultural Re-finance Corporation.

## 2. (a) Assessment of repaying capacity:

It will not obviously be possible for a land development bank to assess individually the repaying capacity of every cultivator applying for a loan, particularly for wells and pump-sets. It will, therefore, be necessary to demarcate areas within the same State where the conditions would be more or less uniform, in order to be able to apply uniform scales for loans for various purposes within each area. The areas should be determined on the basis of soil, climate and crop pattern and also the availability of irrigation facilities. Generally, a taluka can be considered as a separate area but if similar conditions exist in adjoining taluka as well, they could be grouped together to form one area. Similarly, if conditions vary widely within the same taluka, it might be necessary to provide the taluka into two or more distinct areas. While conducting the studies for assessment of repaying capacity, the data regarding cost of construction of wells and cost of boring

# "Land development, Sir, banks on the aid of **LAND DEVELOPMENT BANKS!**"

Ah...the boy  
knows it already !

In case you want to know a little more, we may add that land development banks (also called LAND MORTGAGE BANKS) advance long-term farm loans to ensure agricultural development. They are CO-OPERATIVES.

They were originally called LAND MORTGAGE BANKS because of the mortgage security taken for the loans. Now, with the shift of emphasis on development, they are now LAND DEVELOPMENT BANKS.

The security for the debentures issued by the Central Land Mortgage Bank is safe and sound and backed by the guarantee of the State Government. This change in name denotes that we have a mission to fulfil...



Since 1929, THE MADRAS CO-OP. CENTRAL LAND MORTGAGE BANK is silently working for the economic uplift of the farmers and to bring about the 'green revolution' in Madras State, that is TAMIL NADU. We are extending our friendly service to the villagers, through the medium of our farm journal, NILAVALAM, in Tamil.

**Today, we are:  
THE MADRAS CO-OPERATIVE CENTRAL  
LAND MORTGAGE BANK LTD.**

**Tomorrow:  
THE TAMILNAD CO-OPERATIVE  
LAND DEVELOPMENT BANK LTD.**

We stress again, we have a mission to fulfil...to the friendly farmer who feeds the nation and to the generous public who invest in our debentures.



*Issued by: The Madras Co-op. Central Land Mortgage Bank Ltd., (Madras-4)  
which finances the 106 land mortgage banks in Tamil Nadu.*

**KERALA CO-OPERATIVE CENTRAL LAND MORTGAGE  
BANK LTD.**

(Registered on 4-10-1956)  
P. B. No. 56

Telegram: 'LANDBANK' TRIVANDRUM—1. Phone 2252  
PRESIDENT: SHRI C. S. NELAKANTAN NAIR

Authorised Share Capital Rs. 100,00,000  
Statement of Affairs as on 30-9-69.

<u>LIABILITIES</u>		<u>ASSETS</u>	
	Rs.		Rs.
Share Capital	52,21,400	Cash on hand and	
Statutory Reserve	5,15,092	with banks	3,54,207
Other Reserves } and Funds }	12,87,576	Loans	5,51,43,029
		Investment-General	35,66,500
Debentures in circulation	606,82,460	Sinking Fund	1,47,02,373
Other borrowings	83,25,795	Other investments	6,43,410
Sundries	16,51,550	Fixed Assets	1,22,943
Profit and Loss Account	8,58,664	Sundries	40,10,077
	785,42,539		785,42,539

It is the Apex Bank for providing long-term agricultural credit in Kerala State. It operates through Primary Land Mortgage Banks located at Trivandrum, Kilimanoor, Quilon, Sasthamcottah, Kottayam, Tiruvella, Alleppey, Meenachil, Thodupuzha, Ernakulam, Palghat, Badagara, Kozhikode, Perinthalmanna, Kasargod, Tellicherry, Wynad, Trichur and Pathanamthitta.

The bank issues periodically ordinary debentures for 10–15 years and Rural Debentures for 7 years on attractive rates of interest. The debentures carry the guarantee of the State Government. They are Trustee securities and are also approved securities.

R. M. KUMAR,  
**Secretary.**

can also be collected and on the basis of these data, the unit cost for that area could be determined.

For the purposes of a study for assessment of repaying capacity, a few small (owning upto 5 acres), medium (owning from 5 to 10 acres) and large (owning 10 acres and above) cultivators, should be selected from each area of the State. These persons should ordinarily be those who have already effected the improvement, i.e., having wells, pumpsets etc., so that the cropping pattern followed by them after the improvement could be taken as the basis for the study. If there are not enough persons of this category, the cropping pattern after the improvement will have to be assumed in consultation with the local Agricultural Officers. On the basis of such a study, the average gross income and the surplus farm income per acre after deducting the cost of inputs like seed, fertilizer, irrigation charges, labour charges etc., should be determined. It would also be necessary to determine some standard of family expenditure of cultivators owning different acreages and then arrive at the net surplus which will represent the repaying capacity of the cultivator for meeting the loan instalments. The various steps which have to be taken in this regard are discussed below:

A proforma is appended (Appendix II) to collect information regarding:

- i) gross farm income,
- ii) cost of cultivation,
- iii) surplus farm income,
- iv) family expenditure and
- v) the net surplus representing the repaying capacity of the borrower.

In calculating these, only the area receiving direct benefit from the well or pump-set or other improvement should be taken into account.

#### (a) Gross farm income:

The cropping pattern on the acreage studies should be the pattern followed by progressive farmers in the area, i.e., those who have adopted improved agricultural practices and who

are having irrigation facilities. The acreage under 'kharif', 'rabi' and 'summer crops' should be separately shown as indicated in the proforma. If there are no progressive farmers, the cropping pattern should be assumed in consultation with the local Agricultural Officers.

The yield per acre for each crop should not be the average for the area (which is usually very low), but the yield which is usually obtained by the progressive farmers in that area. The total production (expressed in quintals) will be the sum total of the production under various crops for all the seasons (as indicated in the proforma).

The selling prices will be the average of the farm-harvest prices for the last three years. If any support prices have been announced by the Government, these may have to be taken into account as also the levy prices in areas where Government levy is in operation.

#### (b) Cost of cultivation:

The cost of cultivation per acre should be worked out for each crop and for each season. The following main items of cost will have to be taken into account:

- i) Preparation of land
- ii) Manuring and top dressing
- iii) Seeds and sowing operations
- iv) Inter-cultivation
- v) Weeding
- vi) Watering (including the cost of diesel oil, electricity charges, repair cost etc.)
- vii) Plant protection
- viii) Harvesting, thrashing, winnowing and preparing for market
- ix) Land revenue/land rent
- x) Interest on short-term loans
- xi) Repairs and replacement of farm tools, implements and carts

A proforma is enclosed (Appendix-III) giving the detailed break-up of each of the items and this might be useful

in working out the per acre cost of cultivation for different crops.

**(c) Surplus farm income:**

This will be arrived at by deducting the total cost of cultivation from gross farm income.

**(d) Average gross farm income per acre and average surplus farm income per acre:**

On the basis of the studies of selected cultivators of all the three categories in each area, the average surplus farm income per acre should also be ascertained. For this purpose, the gross farm income and farm surplus income of all the selected farmers should be added and these should be divided by the total acreage cultivated by them. On the basis of these averages, the gross farm income from the land of the applicant which will be benefited by the improvement and surplus farm income therefrom can be calculated as follows:

- 1) Average gross farm income per acre
- 2) Acreage benefitted by the improvement
- 3) Total gross farm income ( $1 \times 2$ )
- 4) Average surplus farm income per acre
- 5) Total surplus farm income ( $4 \times 2$ )

**(e) Family expenditure:**

In paragraphs 14 to 15 of the Circular of the Reserve Bank of India dated 23.5.1969, referred to earlier, it has been mentioned that although the average per capita monthly expenditure of a rural family (National Sample Survey — 16th round — 1960-61) was only Rs. 21.44, a higher per capita expenditure at Rs. 33 could be assumed in view of the increase in the consumer price index. Accordingly, the average expenditure for a family of 5 persons would be Rs. 2,100 per year. Assuming that 1/5th of this expenditure, i.e., about Rs. 400/- could be met through off-farm income, the actual charge of family expenditure on the farm income will be Rs. 1,700. For example a surface well and a pumpset may irrigate about 5 acres of a cultivator's holding yielding a gross farm income of not less than Rs. 5,000/-. However, if the

gross income is more than Rs. 5,000/-, one fourth of the amount over Rs. 5,000/- could be added to the family expenditure as an improvement of the standard of living. Following this formula, the steps in the calculation of family expenditure could be as follows:

1. Family expenditure if the gross income is Rs. 5,000/- or below: Rs. 1,700
2. Additional expenditure if the gross income is above Rs. 5,000 25% of the excess
3. Total family expenditure (1 + 2)
4. Difference between total surplus farm

income and total family expenditure.

This difference will indicate the net surplus of the farmer, which will be available for meeting the instalments of the long-term loans. In other words, this will be considered as his repaying capacity.

As the total amount of the loan, the maximum period of each category of loan and the annual equated instalment for the maximum periods of the loans are all known, it will be possible to determine if a particular applicant has the necessary repaying capacity to meet the annual instalment. If the net surplus is more than the annual loan instalment, it will be evident that the applicant has the necessary repaying capacity and the acreage owned by him is adequate. The bank can also fix, on the basis of the average net surplus per acre in each area, the minimum acreage needed to meet the instalments of loans given for different purposes. Thus cultivators having less than the required acreage, can be automatically considered ineligible for a loan.

#### (b) Action to be taken by the Bank:

1. For the purposes of estimating the repaying capacity, a few cultivators from each homogeneous area representing groups of small, medium and big cultivators and having irrigation facilities should be selected for study. Data regarding gross farm income and farm surplus income should be collected in these cases in the prescribed form.

2. On the basis of these data, the average gross farm income per acre and the surplus farm income per acre should be calculated for each area.

3. When an application is received, it should be possible to assess the gross farm income and the surplus farm income of the applicant on the basis of the area to be benefitted.

4. The bank should provide for family expenditure of the applicant at Rs. 1,700/- uniformly for gross income upto Rs. 5,000/-. The family expenditure so arrived at should be deducted from the surplus farm income. This will give the net surplus of the applicant.

5. If the net surplus is equal to or more than the annual equated instalment of the loan, the applicant can be considered as eligible for the loan.

6. In order to facilitate easier scrutiny, the bank may work out the minimum acreage to be cultivated by the applicant which will generate sufficient net surplus to pay off the annual instalments for loans for different purposes, allowing the normal period of loans. A list of minimum acreages for loans for various purposes may be kept for ready reference for each area.

7. The application form will contain only the minimum information needed. The inspector of the bank while scrutinizing the application should indicate in his report that the land benefitted by the improvement should be adequate to ensure repayment of the annual instalments.

### 3. (a) Period of loans:

The maximum period of the loans should normally be limited to the working life of the asset. In the case of a well including tube wells the period may not be allowed beyond 15 years. In the case of oil-engines, electric-motors, tractors, power tillers and other machinery, the period should not exceed 10 years. It may also be advisable to limit loans for all other purposes, such as levelling, bunding etc., to a period of 10 years. The banks will have to determine the period in each case taking into account all relevant factors, in no case should the period exceed 15 years even though the life of the asset may be more.

Some relaxation may have to be considered in the case of cultivators taking a composite loan for digging a well and installing an engine or motor pumpset in case they are unable to repay the entire loan within 10 years. Loans for digging wells can be allowed for a period of 15 years, while the loans for machinery will be restricted to 10 years. While sanctioning the composite loan for a well and pumpset, the period need not be fixed as 10 years uniformly. A part of the loan representing the amount needed for digging the well may be spread over 15 years and the balance made repayable over 10 years. This would necessitate rearrangement of the loan instalments in such a way that the loan for the pumpset will be repaid in 10 years and the loan for the well in 15 years. By this relaxation it should be possible to accommodate a larger number of small cultivators. A similar relaxation may be considered in suitable cases in the case of loans for tubewells also.

In determining the actual period of a loan, in addition to the amount of net surplus farm income, two other factors will also have to be taken into account to ascertain if a reduction in the period would be feasible. For instance, it will be unfair to expect two cultivators taking loans for digging wells one owning 5 acres and the other 30 acres of land both to repay the loan within the same period. The farmers with the large acreage should be considered to be in a better position to repay the loan in a much earlier period.

For each area therefore the State Land Development Bank should determine rather arbitrarily what additional net repaying capacity can be calculated from the non-benefiting land of the particular applicant. It would be fair if the bank decides that for holdings beyond 8 to 10 acres, each additional non-benefiting acre has an annual repaying capacity of say Rs. 50. This additional repaying capacity may be added to the net farm surplus and the period of the loan reduced accordingly.

Similarly, in areas where a farmer who had constructed a tubewell or has purchased a tractor and who earns additional income by sale of water or by hiring the tractor, should be in a position to repay the loans taken for these purposes, much earlier than the period normally fixed for the loans. On a rough basis, this additional income could be considered at 25% of the total receipts. In order to enable the bank to decide the period of loan in such cases, the cultivators should be required to give the necessary particulars in the applications

**(b) Action to be taken by the Bank:**

1) The maximum period of loan should normally be limited to the working life of the asset. Loans for wells should not be allowed beyond 15 years. Other loans for oil engines, machinery etc., should be limited to a period of 10 years.

2 A relaxation in the period of loans may be considered in the case of composite loans for wells and pumpsets in deserving cases.

3. The Bank may consider reduction in the period of the loan, taking into account the net surplus from the land benefitted as well as other lands owned by the applicant and also sale of water.

**4. Application form and inspection form:**

On the basis of the suggestions made above, a form of the application in which the land development banks can call for particulars from the prospective borrowers has been prepared and is appended (Appendix-IV). This may be adopted by the land development bank in all the States with modifications to suit local conditions. It will also be necessary for the land development bank to depute its officers for on-the-spot scrutiny wherever necessary of the lands of applicants to determine the likely cost of the improvement to be effected and other matters. A proforma of the inspection report, which could be prescribed by the land development banks, is also appended (Appendix-V).

**5. Appointment of a technical committee and technical staff:**

In order to undertake the studies referred to above, it will be necessary for each land development bank to appoint a small technical committee consisting of a few members of the board and representatives of the Co-operation and Agriculture Departments. To assist the committee, it will be necessary for each bank to appoint or avail of the services of at least a few technical officers. These should include at least two agricultural officers and one or two engineers. Other technical staff to assist these officers and make individual appraisal in the case of tubewells etc., will also be necessary. The actual strength of the staff will have to be determined by the technical committee to be appointed in each bank. For the first one

or two years, loans should be sanctioned by the bank on the basis of the standards recommended by the technical committee. This could later on be revised or modified on the basis of the detailed studies which will have to be undertaken by each bank under the guidance of the Rural Economic Division and the Division of Rural Surveys in the Economic Department of the Reserve Bank of India. It will also be necessary for each bank to set up immediately a separate department for the purpose of conducting surveys and studies.

---

**THE PUNJAB STATE CO-OPERATIVE LAND MORTGAGE  
BANK LTD., CHANDIGARH.**

Estd. 1958.

Telegram : "Bhoomibank"

Telephone No. 3231.

As on 30-6-69

No. of Primary Land Mortgage Banks ...	29
No. of tehsil headquarters without Primary Land Mortgage Banks ...	8
Paid-up Share Capital	Rs. 133.74 lakhs
Loan outstandings	Rs 19,11.37 lakhs
Debentures in circulation	Rs 20,19.71 lakhs
Overdues	Rs. Nil

**AMAR SINGH DOSANJH**

M.L.A.

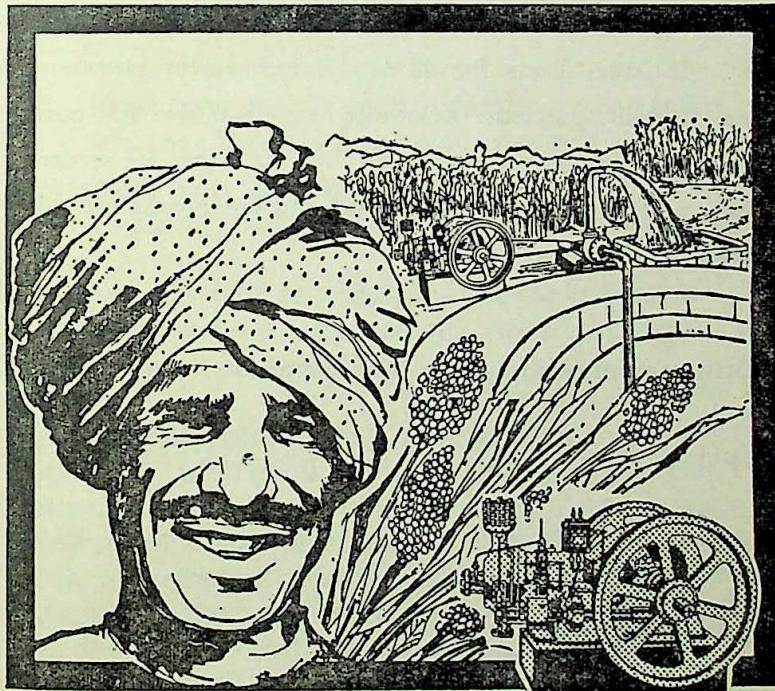
*President.*

Just top up with oil, and the reliable Ruston  
works all day— pumping water,  
expelling oil, crushing cane, milling flour.  
Increase your income with Ruston!

FOR ALL YOUR FARM WORK...

# RUSTON

HORIZONTAL DIESEL ENGINE



Sold and serviced by:

**GREAVES COTTON & CO. LTD.**



Bombay • Calcutta • Delhi • Madras  
Ahmedabad • Asansol • Jaipur • Kanpur  
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Bhubaneswar • Margao • Patna • Gauhati

R.H.H.68-4

THE PONDICHERRY CO-OPERATIVE LAND MORTGAGE  
BANK LTD.,

No. P. 106

72, Lalbahadur Street,  
Pondicherry.

Telegram : "LANDBANK"

Telephone : 785

The Bank is the Apex Co-operative institution for providing long-term agricultural credit in the Union Territory of Pondicherry. It issues loans for all land improvement purposes like sinking of wells, purchase of motors, etc., and also for purchase of tractors. The debentures issued by the bank are secured by the first mortgage of agricultural land and are guaranteed by the Government of India.

Statement of affairs as on 30th September, 1969.

Paid-up share capital	...	Rs. 6,91,422
Reserves	...	Rs. 48,752
Loans Outstanding	...	Rs. 29,44,513
Debentures Floated	...	Rs. 19,48,000

S. Venkatachalachapathy Reddiar,

*President.*

P. Irudayaraj, M.A.,

*Secretary.*

## APPENDIX-I

### Rules governing the approval of Oil-engines; Electric-motors and Pumping Sets

1. These Rules shall be called "The Rules governing the approval of Oil-engines, Electric-motors and pumping sets" by the Bank.
2. "The Bank" shall mean "The \_\_\_\_\_ State Co-operative Land Development Bank Limited, \_\_\_\_\_."
3. Manufacturers shall provide after sales service free during a period of one year from the date of installation as under:—
  - i) First two one in each quarter as a regular service whether there is a demand or not.
  - ii) Next two only on demand from the loanees of the Bank.

This free service will not include the cost of spares. Manufacturers may extend this service through their approved agents or dealers.

4. The Manufacturers shall give guarantee of trouble free operation of the oil engines, electric motors and pumps atleast for a period of one year. Any damage to the engine, or pump or motor, during this guarantee period due to defective design or defective materials used in manufacturing or defective workmanship shall be replaced free of cost, by the manufacturers.
5. The accessories and tools to be supplied by the Manufacturers shall be supplied along with the principal goods with a list of such items to the buyers without any extra charges.
6. The Manufacturers shall place with the Bank as deposit as under:—
  - i) A Manufacturer who has supplied in the previous co-operative year to the loanees of the Bank, less than 200 engines a deposit of Rs. 2,500/-.

- ii) A Manufacturer who has supplied in the previous co-operative year to the loanees of the Bank 200 or more engines, deposit of Rs. 5,000/-.
- iii) A Manufacturer of electric motors, a deposit of Rs. 2,500/-.
- iv) A Manufacturer of a turbine pump or submersible pump a deposit of Rs. 2,500/-.
- v) A Manufacturer of centrifugal pump a deposit of Rs. 1,000/-.

The Bank shall give an interest at the simple rate of 4.5% p.a. However, interest shall not be payable if the manufacturer stops production from the date of stopping. This deposit may be placed either in cash which will bear interest at 4.5% or in the form of Debenture of this Bank.

7. The amount of deposit paid under Rule No. 6 shall not be refunded before the expiry of one year from the date the name of Manufacturer is deleted from the approved list.
8. The Bank shall deal only with those agents and dealers appointed and authorised by the Manufacturers for sales in the State of
9. The Bank in its discretion shall have full authority to forfeit or adjust this amount of deposit in case of breach of these rules as amended from time to time by the Bank or against any claim of buyers of the Bank.
10. The Bank in its discretion shall have full authority to discontinue its financial dealings with any manufacturers and their agents or dealers in case the complaints are received by the Bank in regard to the oil engines or electric motors etc., or in regard to the dealings of the manufacturers, their agents or dealers, and after due inquiry, the complaints are found genuine.
11. The Bank Authorities will be at liberty to pick-up any approved pump or engine from the market and get it tested at any time at the cost of manufacturers.

12. The manufacturer shall furnish to the Bank a copy of the price-list which should indicate the sale price at which the dealer and/or agents will sell their products to the customers. Any change in such prices should be notified to the Bank by the concerned manufacturers. The manufacturers, dealers and/or agents shall not charge more than the sale prices so notified.
- 

A few copies of the printed book "Chapters and Recommendations relating to Land Development Banks and Agricultural Refinance Corporation from the Report of the Rural Credit Review Committee" are available with the Union. For supply of copies orders may be placed with the Union. Each copy is priced Rs. 2-00.

THE BIHAR STATE CO-OPERATIVE LAND  
MORTGAGE BANK LTD.

Grams : 'Landbank'

Dak Bungalow Road,  
Patna-1

Phone : 24344  
22338

LONG-TERM LOANS FOR AGRICULTURAL  
DEVELOPMENT

The Bihar State Co-operative Land Mortgage Bank Ltd., Patna, advances long term loans to its agriculturist members on security of unencumbered land through its branches at District and Sub-Divisional Head Quarters for agricultural development upto Rs. 15,000/- for purchase of tractors and Rs. 10,000/- for purchase of agricultural implements, pumping sets, discharge of old debts (usufructuary mortgage) and purchase of contiguous lands for consolidation of holdings. The loan bears  $8\frac{1}{2}\%$  interest and is repayable in fifteen annual equated instalments.

Promptness in advancement of loan is assured.

TAPESHWAR SINGH,  
Chairman

K. B. SHARMA, I.A.S.  
Managing Director

**FORM-A**

1. Name of manufacturer.
  2. Registered address of the manufacturer.
  3. Registration|License number and date.
  4. Number of workmen employed in the Factory.
  5. Whether the Factory Act is applied.
  6. List of equipment installed in the workshop.
  7. Whether the manufacturer has his own factory. If so, its capacity should be mentioned.
  8. List of component parts of diesel engine, or electric motor or pumping set manufactured in the manufacturer's own factory.
  9. List of components finished or unfinished purchased from outside.
  10. Monthly|annual capacity of production in terms of engines|electric motors pumps of each size.
  11. Actual production of each item in terms of engine|electric motors pumps of each size per month|per year.
  12. Whether any of the item of production or its components parts manufactured are bearing I.S.I. marks, list of such items be given.
  13. Give the names of approved distributors|dealer with their addresses.
  14. Whether the price list of the engines|electric motors|pumps and its components (spare parts) is published. If so, copy of the price list be furnished.
  15. Sales during last 12 months 1st April 1968 to 31st March 1969.
  16. Please furnish blue prints of component parts of oil engine pump-set manufactured by you.
-

**FORM-B**

(For diesel Engines.)

1. Type of the engine.
  2. R.P.M. of the engine.
  3. H.P. of the engine
  4. Total unpacked net weight in kgm.
  5. Whether the piston and piston rings are manufactured in own factory. If so, quality of material may be given. If purchased from outside the source of supply may be indicated.
  6. State if cylinder liner is case hardened.
  7. Mention the make and type of automiser and the fuel pump.
  8. State the quality of material used in exhaust and inlet valves.
  9. Mention of the source of supply of Crank shafts and the quality of material used in it.
  10. Type of main bearings and lift end bearings used.
  11. System of lubrication.
  12. Make and type of mechanical lubricator if used in the engine.
  13. Number of fly wheels used in the engine.
  14. If there is a practice to test the engines on the test-bed, a copy of the sample test report should be enclosed.
- 

**FORM-C**

(for pump)

1. Type of pump (whether centrifugal turbine or submercible).
  2. Gross head E.R.P.M. at which it will work at maximum efficiency.
  3. Discharge capacity in gallons per hour, (at the head mentioned in item 12).
  4. Maximum efficiency.
  5. Metal used in manufacturing various components of the pump.
  6. Number of thrust and/or ball bearings used in the pump.
  7. Copy of the test data and the efficiency curve should be furnished.
-

### FORM-D

(For electric motors and  
directly coupled motor  
pumps.)

1. Range of the HP of the motors manufactured.
  2. Specifications of the motors manufactured specifically mentioning whether the motor is totally enclosed type or not, indicate whether design is damp proof.
  3. State the cooling arrangements.  
If the motor is coupled with pumps, please give formation over and above Form-C.
    1. Method of direct coupling.
    2. Specifications of the bed plate|Trolley.
-

**APPENDIX II**  
**ASSESSMENT OF FARM INCOME**

Crops grown	Acreage	Crop production		Average sale price per quintal	Gross farm income (4 x 5)	Cost of cultivation per acre		Total farm income (6-8)	Surplus
		Total per acre (kilos)	Total (quintals)			Total	Total		
1	2	3	4	5	Rs. 6	Rs. 7	Rs. 8	9	

**1. Kharif**

1. Cotton
2. Bajra
3. Jowar
4. Paddy
- 5.
- 6.

**Rabi**

1. Wheat
- 2.
- 3.

**Summer**

1. Bajra
- 2.

Total:

Name of farmer _____		Name of crop _____		Village _____		Land holding _____		Area irrigated _____	
Sr.	Particulars		Area	Cost of labour	per acre	Cost of inputs per acre	Total cost		Remarks
No.		Human units	Bullock units	Cost Rs.	Quantity	Cost (Rs.)	Rs.		Av. rates of wages, in - puts etc.
1	2	3	4	5	6	7	8	9	
1.	Preparation of land								
	(a) Ploughing								
	(b) Harrowing								
	(c) Others								
2.	Seeds and sowing								
	(a) Seeds/seedlings								
	(b) Sowing/transplanting								
3.	Manuring and topdressing								
	(a) Farmyard manure/ compost								
	(b) Chemical fertilizers-								
	Nitrogenous								
	Phosphatic								
	Others								
4.	Intercultivation								
	(a) Hoeing/harrowing								
	(b) Earthing up								
	(c) Others								
5.	Wedding								
6.	Watering								
7.	Plant protection								
	(a) Insecticides								
	(b) Fungicides								

## APPENDIX III (Continued)

1	2	3	4	5	6	7	8	9
8.	Watching							
9.	Harvesting							
10.	Threshing w/nnowing and Preparing for market							
11.	Land revenue/rent							
12.	Repairs and replacement of farm tools, implements.							
13.	Miscellaneous							
14.	Interest on short-term loans.							

Total :

- Note:** 1. The human and bullock labour units for various farm operations should include the family labour and own bullock labour also.
2. The average wages of human and bullock labour prevalent in the village should be considered.
  3. The cost of various inputs should be considered on the basis of average sale-rates for each of them.
  4. The cost of watering per hour should be worked out taking into consideration the total working hours, consumption of diesel oil/lubricating oil/electric power, cost of operator for full year, repairs and replacement of spares. On the basis of the hours required for irrigating one acre and the number of irrigations to be applied the total cost of watering can be assessed.
  5. For assessing the cost of repairs and replacement of farm tools, implements, etc., about 20% of the value of such accessories may be considered which may be divided over the total cropped area. This will roughly give the per acre cost of repairs and replacement of farm tools and implements.
  6. The totals of item 1 to 13 will give the amount of short term credit required for raising the crop per acre. The interest should be calculated on this amount for half the life period of the crop.

## APPENDIX IV

State Cooperative  
Land Development Bank Ltd.,

### LOAN APPLICATION FORM

Date of issuing the form :

Date of receiving the form :

Details of depositing the amount of share capital, entrance fee, inspection fee etc.

(to be filled in by the office)

Amount paid Rs. \_\_\_\_\_ Receipt No. \_\_\_\_\_ Date : \_\_\_\_\_

### INSTRUCTION FOR APPLICANT

- 1) Please produce the copies of village forms or records regarding record of rights, possession of land, crops statement of last three years, Land Revenue Account, Government dues, etc. certified by the Talati (i.e. village revenue official) or by village Panchayat Secretary and such other copies of documents with regard to title and tenure of lands offered for mortgage.
- 2) If the land offered for mortgage has been acquired by the applicant by way of purchase, the copies of the sale deed and copies of relevant village records should be produced.

To,

The Manager/Secretary/Supervisor,  
Cooperative Land development Bank Ltd.,  
(Primary/Branch).

Dear Sir,

I hereby apply for a loan of Rs. \_\_\_\_\_ for the purpose of \_\_\_\_\_. The particulars for the requirement of loan are given below :

I.) Personal information :

1) Full name with surname : \_\_\_\_\_

2) Age : \_\_\_\_\_ 3) Address : \_\_\_\_\_

Present : \_\_\_\_\_ Village \_\_\_\_\_ Taluka \_\_\_\_\_

Post \_\_\_\_\_ District \_\_\_\_\_

4) Number of members in the family \_\_\_\_\_.

II. Purpose of loan and details regarding cost estimates:

1) Construction of new wells, repairs of old wells and boring.

Survey No. \_\_\_\_\_.

Particulars	Depth diameter	Types of sub- strata	Nature of cons- truction	Estimated cost Rs.		Area to be irri- gated
				Own	Others	
				A-G-	A-G.	

- a) Dug-wells.
- b) Dug-cum-Bore wells.
- c) Converting of Kachcha well into Pucca well.
- d) Deepening existing well.
- e) Boring in existing well.

2. Pumping equipment :

Survey. \_\_\_\_\_.

Particulars	Make	HP/ Size	Estima- ted cost	Area to be irrigated.	
				Own	Others
				A. G.	A. G.
a) Oil-engine.					
b) Elec. motor.					
c) Centrifugal pump.					
d) Accessories.					

Total :

## 3. Machine Room.

Length \_\_\_\_\_

Breadth \_\_\_\_\_

Height \_\_\_\_\_

Nature of construction &amp; roofing \_\_\_\_\_

Estimated cost \_\_\_\_\_

## 4. Underground pipeline :

Length \_\_\_\_\_ Diameter \_\_\_\_\_

Estimated cost \_\_\_\_\_ Area to be irrigated :

Own \_\_\_\_\_

Others \_\_\_\_\_

## III. Area to be benefitted by the proposed improvement.

Survey No.	Own land Acreage	Land cultivated as tenant Survey Acreage	Other's land Survey No.

## IV. Area cultivated by the applicant but not benefitted by the proposed improvement.

Survey No. Acreage

## V. Expected income of the applicant by sale of water:

No. of hours and/or area for which water is sold	Expected income Rs.

## VI. Details regarding debts and encumbrances :

Particulars	Nature of debt.	Borrowing Dt.	Outstanding Amt.
	Dt.	Amount	
a) Village cooperative Society			
b) Commercial Banks			
c) Land Development Bank			
d) Government			
e) Private Money lender			
f) Any other source			

Amount \_\_\_\_\_

Note : Available evidences of encumbrances or no due certificates from the relevant authorities may be enclosed.

## VII. Details of total land and land to be mortgaged.

Note : Land to be mortgaged should be first shown in the table below :

Sr. No.	Survey No. or name of field	Area A-G.	Land revenue	Type of irrigation	Nature of land tenure	Estimated value	Encumbrances if any?
1	2	3	4	5	6	7	8
Land to be mortgaged							

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Total :

---

1	2	3	4	5	6	7	8
---	---	---	---	---	---	---	---

---

**Land not to be mortgaged**

- 1.
  - 2.
  - 3.
  - 4.
  - 5.
- 

Total :

---

**VIII. Consent of adult members of the family for  
borrowing loans :**

---

Sr. No.	Name	Age	Occupation	Signature in token of consent for borrowing loan
------------	------	-----	------------	---

---

**Declaration :**

I hereby solemnly declare that the land offered for mortgage to the bank is in my full occupancy rights and under my absolute possession and control, that the same is free from any encumbrances, that the land has not been sold to anyone, that I have not incurred any debt on the security of the said property, that there are no dues to be paid by way of settlement, decree or award under the Debtors Relief Act, that there is no decree which is to be executed by sale of the property, that the property is not attached by a civil court or by revenue authority, that no person except me has any right, title or interest over the above mentioned land, that there is no dispute pending regarding right, title and interest in the said property.

The facts given above are true to the best of my knowledge and belief.

I hereby agree to abide by the by-laws and rules of the \_\_\_\_\_ bank inforce from time to time. I agree to furnish the security according to the rules and regulations of the bank.

I request you to grant me a loan of Rs. \_\_\_\_\_ as stated in the application. I feel that the improvement to be effected with the bank's loan will generate additonal agricultural production which will enable me to repay the loan in \_\_\_\_\_ years.

Date : \_\_\_\_\_

Place : \_\_\_\_\_

Signature of the applicant.

---

Remarks of the receiving authority at the bank's office if the application is not complete.

1)

2)

3)

Signature of the  
Receiving Authority.

## APPENDIX V

Name of the bank \_\_\_\_\_

Branch \_\_\_\_\_ Dist. \_\_\_\_\_

## INSPECTION REPORT

1. Name of the applicant \_\_\_\_\_
2. Address \_\_\_\_\_
3. Place where applicant's land is situated : Village \_\_\_\_\_ Taluka \_\_\_\_\_
4. Date of inspection \_\_\_\_\_
5. Name and designation of the inspecting officer
 

Name \_\_\_\_\_

Designation \_\_\_\_\_

6. Amount of loan applied for Rs. \_\_\_\_\_

7. Check details of the purpose and estimates of cost given in the application and offer comments.

8. Indicate, with full details, your own estimates of cost.

9. If any loan was borrowed from the bank previously on the land to be mortgaged, give details.

Sr. No.	Purpose	Date	Amount of loan Borrowed	Remarks Outstand- ing
			Rs.	Rs.

Total :

10. Give details of assets of the applicant as under:

Particulars	Number/Acres	Estimated value Rs.
1) Agri. Lands		
2) Buildings		
3) Agri. implements		
4) Live stock		
5) Others _____		
Total :		

11. Particulars of land to be mortgaged.

Survey No. or Name of field	Area A-G.	Land revenue	Type of irrigation	Land tenu- ed or dry	Esti- mated value	Encum- brance	Remarks
		Rs.			Rs.		

12. Is the title to the land to be mortgaged, clear and marketable ? Give comments.

13. Check details of debts of encumbrances of the applicant given in item No. VI of the application. Offer comments.

**14. Land Valuation**

What is the estimated value of the land offered in mortgage on basis of the standards laid down by the Bank ? Give details.

**15. Repaying Capacity**

- (a) Average gross farm income per acre. Rs.\_\_\_\_\_
- (b) Average farm surplus income per acre. Rs.\_\_\_\_\_
- (c) Total gross farm income from the area to be improved. Rs.\_\_\_\_\_
- (d) Total farm surplus income from the area to be improved. Rs.\_\_\_\_\_
- (e) Total family expenditure. Rs.\_\_\_\_\_
- (f) Net surplus (Total surplus farm income less total family expenditure) (d)-(e) Rs.\_\_\_\_\_

**16. Repayment of loan**

- (a) Amount of loan to be sanctioned Rs.\_\_\_\_\_
- (b) Normal period of loan Rs.\_\_\_\_\_
- (c) Normal annual instalment of the loan Rs.\_\_\_\_\_
- (d) Is the Net Surplus adequate to meet the annual loan instalment? Rs.\_\_\_\_\_
- (e) Excess (+) for deficit (-) of net surplus over normal annual loan instalment. Rs.\_\_\_\_\_

**17. Reduction in normal period of loan**

- (a) Additional Net Surplus income from sale of water at 25% of the total income from sale of water. Rs.\_\_\_\_\_
- (b) Additional net surplus income from land in excess of 10 acres, at Rs. 50% per acre. Rs.\_\_\_\_\_
- (c) Total additional net surplus income (a) + (b). Rs.\_\_\_\_\_
- (d) Total net surplus income (Item 15(f) + (c)). Rs.\_\_\_\_\_
- (e) Proposed period of repayment based on (d) above. Rs.\_\_\_\_\_

18. Give a brief report on the applicant's dealings with Co-operative Societies and other agencies and also his character, integrity, respectability and prestige in the village.

#### **19. Recommendation**

- (a) Amount of loan recommended Rs. \_\_\_\_\_  
(b) Period of payment suggested \_\_\_\_\_  
(c) Any other remarks Rs. \_\_\_\_\_

Signature of Inspecting  
Officer.

Place : \_\_\_\_\_

Date : \_\_\_\_\_

**THE ORISSA STATE CO-OPERATIVE LAND****MORTGAGE BANK LTD.****BHUBANESWAR-PURI Dt.**

(Registered in 1938).

Telegrams : "Landbank".

Telephone : 1288.

President :

SHRI UMASANKAR SABAT

**As on 30-6-1969**

Paid-up Share Capital	...	Rs.	58,43,771
Reserves and Other Funds	...	Rs.	11,02,250
Sinking Fund Investment	...	Rs.	89,91,325
Loans outstanding	...	Rs.	6,49,78,624
Debentures in circulation	...	Rs.	7,34,35,550

The Bank is the Apex institution for the Orissa State to provide long-term agricultural credit for a period up to 15 years for private minor irrigation purposes, purchase of agricultural machineries, special development programmes, special crops like coconut, tea, rubber, cashewnut etc. It is operating through 55 affiliated primary land mortgage banks. It advanced long-term loans over Rs. 196 lakhs during the year 1968-69 and its target of loan investment for 1969-70 is Rs. 450 lakhs. The Bank issues Ordinary Debentures, Special Development Debentures and Rural Debentures, which are fully and unconditionally guaranteed by the Government of Orissa.

**B. B. ROY,****Secretary.**

## WORKING OF MEMBER BANKS

**(a) The Bombay State Cooperative Land Mortgage Bank Limited. (1968-69)**

The bank completed the 34th year of its successful working as on 30th June 1969. It had 27 primary banks on its roles as on 30th June 1969.

The paid up share capital of the bank at the end of the year stood at Rs. 666.48 lakhs, of which Government contribution was only Rs.110.00 lakhs.

The statutory reserve fund of the bank stood at Rs. 45.05 lakhs at the end of the year as against Rs. 30.36 lakhs at the end of the previous year. Its other funds amounted to Rs. 67.98 lakhs. The bank continues to occupy the first position in the country in respect of share capital, owned funds, loans issued and loans outstanding.

During the year the bank floated four series of ordinary depentures for a total sum of Rs. 24.53 crores and special development debentures to the value of Rs. 90.40 lakhs. The bank also floated rural depentures to the value of Rs. 150 lakhs, of which a sum of Rs. 70 lakhs was to be collected from individuals. A sum of Rs. 58.66 lakhs was invested by individual investors, and the Reserve Bank's contribution was yet to be received.

The bank continued to enjoy an overdraft limit of Rs. 10 crores from the Maharashtra State Cooperative Bank on Government guarantee and the interest charged was 6% p. a

The bank's loan advances increased appreciably during the year; they amounted to Rs. 26,26.09 lakhs as compared to Rs. 18,92.81 lakhs of loans issued during the previous year. As Against the targets of 35,000 new wells and 22,500 pumping sets including oil engines, fixed by the State Government under tacevi scheme for the year 1968-69 the achievement was disbursement of loans for 35,387 new wells and 21,560 pumping sets.

The purpose-wise classification of loans issued was as follows:-

New Wells	Rs 1335.10	lakhs
Old Wells	Rs 123.72	"
Oil Engines	Rs 502.20	"
Electric motors	Rs 183.60	"
Tractors	Rs 59.33	"
Land improvement	Rs 227.97	"
Purchase of land	Rs 4.76	"
Lift irrigation	Rs 125.01	"
Special schemes	Rs 64.40	"
Total:	Rs 2626.09	lakhs

Of the loans issued, loans of Rs. 6000 and below constituted 97%.

The banks' total loans outstanding have increased from Rs. 67,16.30 lakhs in 1967-68 to Rs. 84,97.27 lakhs during the current year.

Against a total demand of Rs. 12,35.72 lakhs under principal and interest during the year, the Apex bank recovered Rs. 11,46.69 lakhs, working out to 93% of demand as against 91% during 1967-68.

There was slight improvement in the recovery position of primary banks. Against a total demand of Rs. 1556.59 lakhs the primary banks recovered Rs. 1187.50 lakhs, working out to 76.2% of demand, as against 72% during 1967-68.

The classification of primary banks according to recovery was as follows:-

<i>Percentage of recovery</i>	<i>No. of banks</i>
90% to 99%	2
80% to 89%	11
70% to 79%	8
60% to 69%	3
50% to 59%	1
Below 50%	2

The bank had prepared special development schemes for Rs. 43.88 crores, of which schemes for Rs. 9.44 crores only

were sanctioned by the Agricultural Refinance Corporation. The bank issued special development debentures to the tune of Rs. 210.78 lakhs during the year. The world bank team visited the bank in June 1969 and in their tentative observations indicated that the land mortgage banking structure in the state was satisfactory enough to carry the developmental work that might be entrusted to it.

The Government discontinued payment of interest subsidy with effect from 1st July 1967, in consequence of which the rate of interest to the ultimate borrower was fixed at 9 $\frac{1}{4}$ %. (It was since been reduced to 9% with the effect from 1.7.1969).

For the year under review, the bank earned a net profit of Rs. 46.22 lakhs.

**(b) The Mysore State Co-operative Land Development Bank Limited. (1968-69)**

The bank has completed its 40th year of working. As on 30.6.1969, it had 169 primary land development banks on its rolls, with a paid up share capital of Rs. 247.68 lakhs. of which a sum of Rs. 60 lakhs was contributed by the State Government.

The bank floated Ordinary Debentures to the extent of Rs. 599 lakhs and special Development Debentures to the extent of Rs. 129 lakhs during the year. Rural Debentures to the extent of Rs. 49.33 lakhs were also floated. The total amount of debentures in circulation as on 30.6.1969 amounted to Rs. 3416.28 lakhs.

The total amount of statutory reserve fund of the bank as on 30.6.1969 was Rs. 12.83 lakhs.

Loans to the extent of Rs. 643.53 lakhs were disbursed during the year, of which Rs. 127.92 lakhs were for general land development, Rs. 299.96 lakhs under well schemes, Rs. 56.36 lakhs for purchase of electric and diesel motors under pumpset scheme, Rs. 7.42 lakhs for tractors and other agricultural machinery, Rs. 137.79 lakhs for land reclamation and for planting gardens etc, under the special Development Schemes and Rs. 14.08 lakhs for debt redumption.

The rate of interest on loans issued during the year under general loaning and for pumpsets was 7 $\frac{3}{4}$ % to the primaries

and 9% to the ultimate borrower, and on loans issued under the well scheme interest at 6% to 10% was charged depending on the period taken for the completion of the well. Under the Special Development Schemes the interest charged was  $7\frac{1}{4}\%$  to primary banks and  $8\frac{1}{2}\%$  to ultimate borrowers. Under the Kolar district well scheme interest at a concessional rate of 6% was charged to the ultimate borrower. The difference between the economic lending rate and concessional lending rate is subsidised by the State Government.

During the year, against a total demand of Rs. 305.07 lakhs due to the bank from primary banks a sum of Rs. 208.25 lakhs was collected leaving an overdue balance of Rs. 96.82 lakhs. The percentage of overdues to demand was 31.70.

As regards the amount due from members to primary banks, against a demand of Rs. 416.41 lakhs, the overdues were 177.87 lakhs, forming 42.72% of the demand.

The well scheme was in operation in the state for 4 years since 1965-66 and a total number of 36779 loans covering Rs 14.67 crores were sanctioned under it upto the end of the year. Against this amount a sum of Rs 12.45 crores was disbursed and the total number of wells completed is 14759. Under the pumpset scheme, which commenced on 1.1.1968, a total of 3879 loans involving Rs 1.25 crores were sanctioned.

The bank has also recorded good progress in the working of Special Development Schemes. Against sums of Rs 181.22 lakhs to be advanced under land reclamation schemes, Rs 44.61 lakhs under plantation schemes and Rs 36.43 lakhs under area development schemes—in all Rs 262.26 lakhs, the amounts disbursed were Rs. 123.92 lakhs under the land reclamation schemes, Rs. 19.46 lakhs under plantation schemes and Rs. 1.94 lakhs under the area-development schemes—in all Rs 145.32 lakhs.

The centralised cadre of staff created in the year 1966-67 continued to function during the year. Candidates under 3 categories called A, B & C are recruited, framed and kept in a pool. 'A' class candidates are deputed to work as secretaries of primary banks having loans outstanding exceeding Rs. 15 lakhs, B class candidates to work with other banks and C class candidates to work as supervisors and second division clerks. The bank has stated that the constitution of the pool has solved

the problems of dearth of qualified and trained personnel to manage the affairs of the primaries efficiently.

The bank earned a net profit of Rs 16.45 lakhs during the year.

**(c) The Uttar Pradesh State Co-operative Land Development Bank Ltd., (1967-1968).**

The Uttar Pradesh State Co-operative Land Development Bank Ltd., completed one more year of its successful working. As on 30.6.1968, the bank had 155 branches and a paid-up share capital of Rs. 227.04 lakhs, of which contribution of State Government was Rs. 70.87 lakhs.

The bank floated Rs. 1054.90 lakhs of ordinary debentures and Rs. 20 lakhs of rural debentures during the year. Debentures in circulation as on 30.6.1968 amounted to Rs. 2357.65 lakhs of which ordinary debentures constituted Rs. 2329.90 lakhs and rural debentures Rs. 27.75 lakhs.

During the year under report, taccavi loans continued to be channelled through the land development bank. During the financial year 1967-68, the State Government subscribed to 30% of the total debentures floated by the bank.

The bank disbursed loans to the amount of Rs. 1030.50 lakhs during the year, of which Rs. 24.53 lakhs were for land reclamation, Rs. 911.77 lakhs for small irrigation schemes, Rs. 34.81 lakhs for purchase of agricultural implements, Rs. 0.43 lakhs for redemption of old debts, Rs. 0.32 lakhs for purchase of land and Rs. 58.63 lakhs for miscellaneous purposes.

During the year under report, a sum of Rs. 168.99 lakhs were collected against a total demand of Rs. 188.67 lakhs, leaving overdues of 10.43 of the demand, as against 11.85% in the previous year.

The bank earned a net profit of Rs. 28.54 lakhs during the year.

**THE MYSORE CENTRAL CO-OPERATIVE LAND  
DEVELOPMENT BANK LTD.**

Albert Victor Road, Fort, Bangalore-18.

Telegram : 'MYLANDBANK'

Telephone : 22510  
22309

Estd. 1929

*President :*

**Sri B. S. Viswanath, B. Com.**

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				As on 30-6-69
				(Rs. in lakhs)
Paid-up Share Capital ...	...	...	...	247.68
Total Reserves ...	...	...	...	35.73
Debenture Redemption Fund ...	...	...	...	637.33
Working Capital ...	...	...	...	3699.82
Rural & Ordinary and Special Debentures in Circulation				3416.28
Loans Disbursed During 1968-69			...	643.53
Net Profit for 1968-69	...	...	...	16.45

The Bank is the Apex Institution in Mysore State to advance long term agricultural credit for sinking of wells, reclamation of lands, development of areca plantations, improvement of irrigation, purchase of pump-sets and for other productive purposes through its 169 Primary Land Development Banks. To facilitate its working the Bank has opened 4 Branch Offices at Raichur, Davanagare, Shimoga, and Dharwar and 4 Divisional offices at Bangalore, Mysore, Belgaum and Gulbarga. The repayment of principal and the interest on debentures are fully and unconditionally guaranteed by the government of Mysore. The debentures are Trust Securities and approved Securities and Sinking Funds are constituted to pay off the debentures on maturity.

V. K. CHINMULGUND,

Secretary.

## INTERNATIONAL COOPERATIVE ALLIANCE RESOLUTION OF PEACE

THE 24TH CONGRESS OF THE I.C.A., representing 230 million Co-operators through the Affiliated Organisations;

RECALLS its resolutions adopted at previous Congresses;

CONFIRM its belief that the most urgent problem in the world is the establishment of peace, for without it human survival is threatened, and the process of economic development and social progress are obstructed;

REAFFIRMS its will to promote harmony between all races and peoples, as well as to safeguard the right of peoples to their self-determination, to which end Co-operation has a special contribution to make;

ACKNOWLEDGES the work done by the United Nations in this field;

CALLS on governments to desist from such unilateral actions which are likely to endanger peace, and instead to support and strengthen the U.N. in its efforts to reduce tension;

ASKS its Member Organisations to do all they can to influence their national governments to support the settlement of international disputes by negotiations and all measures for disarmament so that conditions may prevail which will enable all people to work peaceably for a higher standard of living and for the elimination of hunger and economic insecurity.

### All India Cooperative Week Celebrations

It is a matter of joy and gratification to know that about 50 million co-operators all over the country would be celebrating the co-operative week from the 1st November, 1969. This year the celebrations would not be of a mere routine customery nature; but as the week coincides with the period covering Gandhi Centenary Celebrations, they should assume special significance. The co-operators all over India should regard this an opportunity to review their performance and progress in the light of the basic values for which Gandhiji stood throughout his life and of which co-operative way of living formed only a part. We the co-operators who through their ever expanding spheres of operations, now claim to have extended

the services of their organisations to cover people from all walks of life, have to do some introspection and heart searching at this juncture. The great emphasis that Mahatmaji laid on purity of purpose, and corresponding right type of selfless conduct in public life has an enduring validity and for greater relevance in the present context of our country's affairs. We can take a closer look at the way in which we conduct ourselves in our respective co-operative fields, and trace out any weaknesses that may have crept into the movement. Gandhiji's observation that without character there was no co-operation, should inspire us to build up enough inner strength, courage and impartiality to eradicate all weaknesses and shortcomings. We could then hope to build up a sound healthy base for our co-operative structure, sufficiently competent to play its role as an instrument to achieve the nation's socio-economic objectives.

As is well known, International Co-operative Alliance's Commission for reformulating co-operative principles, headed by late Prof. Karve, suggested co-operation among co-operatives as an additional principle. With the co-operative activities branching off in many directions and touching the various aspects of the society's economic life, it is of outmost importance to establish some co-ordination and a sense of belonging to each other between different organisations. We cannot function in isolation. It is only with bonds of fraternity and mutual regard and active interest in each other's progress that we could move together harmoniously and create an impact on the country's economy.

Yuvraj Udaybhansinhji  
President  
National co-operative Union  
of India.

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## NEWS ITEMS

### **(A) Co-operative Sector to Manufacture Power Tillers**

Maharashtra's Co-operative Sector will produce with Japanese technical collaboration about 4,000 power-tillers per year.

A delegation representing the Maharashtra Co-operative Engineering Society, which returned from Japan, has signed with Yamar Diesel Co. of Japan an agreement for the production of power-tillers.

In the initial stage, some parts of power-tillers may have to be imported. Within two years the entirely Indian-made power-tiller is expected to be available to farmers at modest prices.

In the initial five year period the power-tiller would be known as "Yanmar Mayur" and later as "Mayur".

Technicians from the co-operative society here would go to Japan to receive the necessary training.

To acquaint farmers here about the working of Yanmar power-tillers, 375 such tillers would be imported at a cost of Rs. 25 lakhs. A power-tiller cost Rs. 6,500 approximately.

The power-tiller can plough nearly 10 to 15 acres of land in one hour. It is also equipped to do other operations such as planting and cleaning etc.

The delegation which visited Japan included Shri Shivaji Rao Desai, Dr. W. C. Shrishrimal, Commissioner of Co-operatives, Shri R. A. Zubairy and Society's Director, Shri Khatod.

### **(B) Rs. 32 Crore Loan to Gujarat Co-operative Land Development Bank**

The World Bank is likely to give a loan of Rs. 32 crores to the Gujarat State Co-operative Land Development Bank Ltd. for advancing agricultural credits for minor irrigation and farm mechanisation.

This was stated here on 1st January by Shri Udayabhan-sinhji, Chairman of the Bank. He told newsmen that the loan was expected to be available over the next three years.

With the investment of this sum, the State's agricultural production would go up by Rs. 35 crores to Rs. 40 crores, he estimated.

Shri Udaybhanhiji said that the total advances of the Bank to the farmers had touched the figure of Rs. 102 crores. This was estimated to have raised the agricultural production by nearly Rs. 125 crores to Rs. 150 crores.

He told the annual general meeting of the bank recently that the dividend had been maintained at five per cent on the share capital in 1958-69. The net distributable profit had shown an increase of more than Rs. 4.23 lakhs.

(*From Bombay Co-operator*).

A few copies of the printed book "Chapters and Recommendations relating to Land Development Banks and Agricultural Refinance Corporation from the Report of the Rural Credit Review Committee" are available with the Union. For supply of copies orders may be placed with the Union. Each copy is priced Rs. 2-00.

THE ORISSA STATE CO-OPERATIVE BANK LTD.,  
CUTTACK.

(A Scheduled Bank-Estd. in 1948)

Gram : 'PROCOBANK'

Phone : 257

Invest your hard earned Savings with this  
Premier Agricultural Bank of the State of Orissa.

Yours funds with us ensure more and more Production of  
food grains, Handloom clothes and Development of Industries  
in the State.

All types of Banking facilities are available.

Attractive rates of interest on deposits are allowed.

**Invest in our Five Years Cash Certificates.**

Rs. 74/- will fetch Rs. 100/- on completion of Five Years.

**The position of Bank as on 30-6-1969**

Owned Funds	...	...	Rs.	157.50 lakhs.
Deposits	...	...	Rs.	346.75 lakhs.
Government and other Trustee Securities	...	Rs.	130.01 lakhs.	
Working Capital	...	...	Rs.	982.31 lakhs.

B. C. HOTA, M.A., B.L.  
M.L.A.

Y. R. BALI,

*President.*

*Managing Director.*

**THE HIMACHAL PRADESH STATE CO-OPERATIVE  
BANK LIMITED.**

**Head Office: Simla, Himachal Pradesh.**

Telegrams : "Apexbank"

Telephone : 3015

(Sponsored and Financed by the Government of  
Himachal Pradesh)

**Bank's Working as on 30-6-1969**

Authorised Capital	...	Rs.	50.00 lakhs
Paid-up Capital exceeds	...	Rs	15.86 lakhs
Reserves exceed	...	Rs.	14.12 lakhs
Deposits exceed	...	Rs.	231.26 lakhs
Working Capital exceed	...	Rs.	261.24 lakhs

The Bank transacts all kinds of banking business through its branches established at all the important towns in the interior of Himachal Pradesh. Agency arrangements at all important stations in India.

Your deposits with this Bank assist agricultural production and the defence of the country.

Lockers of various sizes available at our Simla and Nahan Branches.

Contact our Branch Managers for attractive rates of interest on deposits of various types.

DEWAN SIRI RAM,  
*President.*

A. P. JAIN,  
*General Manager.*

SANT RAM SHARMA  
*Manager, Head Office.*

**THE KERALA STATE CO-OPERATIVE BANK LIMITED,  
TRIVANDRUM-1.**

P. B. No. 16      Telephone : 2908      Telegram : "Cobank"

**I N V E S T**

Your Surplus funds with us, the State partnered Apex Bank in the Co-operative Credit Structure so as to help us to help in the cause of Agriculturists in the State.

**PROGRESS AT A GLANCE**

	(Rs. in lakhs)	
	1957-58	1968-69
Share Capital and Reserves	...	21.69
Loans and Advances outstanding	...	102.80
Working Capital	...	145.19
		170.73
		1213.32
		1369.25

**Schedule of Rates :**

Call Deposits (3 days notice)	...	3½%
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**Short-Term Deposits :**

For 15 days and over but upto 45 days	2½%
For 46 days and over but upto 90 days	3¼%

**Fixed Deposits :**

For and over	But less than		
91 days	6 months	...	4½%
6 months	9 months	...	4¾%
9 months	12 months	...	5⅓%
1 year	2 years	...	5-5/8%
2 years	3 years	...	6⅓%
3 years	5 years	...	6⅔%
5 years	7 years	...	6¾%
7 years	9 years	...	7 %
9 years		...	7½%

**Provident Deposit Scheme :**

Total amount payable by the Bank for instalment of Rs. 5/-  
 Monthly deposit    1 year    5 years    10 years    15 years    20 years  
 Rs. 5/- and multi-

ples thereof	...	61.80	349.17	838.18	1,502.05	2,411.69
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B. V. K. Menon, I.A.S. (Retd.) President.	M. K. Parameswaran Pillai, M.A., B.L. Secretary.
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**VAIKUNTH MEHTA NATIONAL INSTITUTE OF  
CO-OPERATIVE MANAGEMENT  
POONA**

**(i) Brief Report on  
Short Programme for University Teachers in Co-operation  
(SPUTC)**

The Vaikunth Mehta National Institute of Co-operative Management, Poona conducted a short programme for University Teachers in Co-operation from October 23 to November 6, 1969 in the new premises of the Reserve Bank of India's Co-operative Bankers' Training College (Ganeshkhind Road, Poona). 24 University Teachers representing 21 Universities from 11 states of the country participated in the programme. The main objectives of the Programme was to provide an opportunity to the participants to acquire a broader understanding of the new concepts, challenges and developments in the field of co-operation and to explore the possibilities of collaboration between Universities' Co-operative educational and training institutes and co-operative business institutions.

The Programme was inaugurated by Dr. H. V. Pataskar, Vice-Chancellor of Poona University. Eminent co-operators, educationists and co-operative and agriculturists like Dr. A. S. Kahlon, Dean of Punjab Agricultural University, Dr. G. Parthasarathy, Head of the Department of Co-operation and Applied Economics, Andhra University, Dr. P. R. Baichwal of Maharashtra Co-operative Marketing Federation, Shri B. K. Sinha, Member Secretary, Committee for Co-operative Training, Dr. R. L. Nagpal, Agricultural Department, Maharashtra State and Dr. J.M. Rana, Director, Education Centre, International Co-operative Alliance, New Delhi presented for the programme papers on their respective area of expertise. Shri J. M. Rana, Dr. Nilkanth Rath and Dr. Namjoshi of the Gokhale Institute of Politics and Economics, Dr. G. Parthasarathy, Dr. Harold Miles and Dr. Reuben Simmons of Ford Foundation, Dr. B. K. Sinha, Shri S. K. S. Chib, Secretary, National Co-operative Development Corporation, Mr. K. G. Mathur, Chief Director, Consumer Co-operatives, Government of India, Prof. V. K. Gupta, Indian Institute of Management, Ahmedabad, Dr. D. V. Tikekar, Managing Director, Kirloskar Consultants, Dr. R. L. Nagpal and Shri V. N. Puri and Dr. P. Natesan, Members of the Committee on National Institute and Training and Research Programmes delivered lectures to the participants.

Study visits were also arranged to the Poona District Co-operative Central Bank, the State Bank of India, the Reserve Bank of India and the University of Bombay.

Prof. D. R. Gadgil, Deputy Chairman of the Planning Commission gave the valedictory address. The University Teachers found the programme useful and helpful.

#### (II) Report on Short Term Orientation Course in Industrial Cooperation.

The second session of short Term Orientation Course in Industrial Co-operation for Senior Directing Officers commenced at the Vaikunth Mehta National Institute of Co-operative Management on 22nd December, 1969. 17 participants have joined the course, of whom 5 are from the All India Khadi and Village Industries Commission, Departments of Industries of State Govts., 6 from Departments of Co-operation of State Governments and 1 from an Apex Industrial Co-operative Association.

Inaugurating the course Shri P. R. Dubhashi, the Director of the Institute stated that the course has been conceived in pursuance of the recommendation of the Working Group on Industrial Co-operation and its objective was to provide orientation in co-operation to directing officers mainly of the Departments of Industries and of the All India Organisations working in the field of Village, Cottage and Small Scale Industries.

Industrial Co-operatives, he said, were the blind spots in the co-operative development in the country. This was partly because of the neglect of or wrong direction given to these Co-operatives, Directorates of Industries were mostly concerned with large industries and had no proper appreciation of the problems of small industries. Officers of these directorates were mostly technical experts, but they had little acquaintance with the technical aspects of co-operative organisation and working particularly the problems of industrial co-operatives. It is because of this that the working group had recommended proper orientation of such officers into the aspects of organisation and working of industrial co-operatives.

Small industries were of different categories. While Khadi and Village Industries were mainly the traditional type, the handicrafts involved artistic skill. Other small scale indus-

tries adopted modern techniques. Khadi and Village Industries and Handicrafts were technologically so weak that they did not constitute economic propositions and yet it was considered necessary to support them because of their employment potential at howsoever low levels of income and also because they did not place too much of strain on the scarce capital resources available in the country. Even if, primitive technology had to be rejected as it would not sustain employment at even a minimum subsistence income level yet the country could not afford to have the most up-to-date sophisticated technology in all industries. Therefore the obvious choice had to be in favour of intermediate technology.

While the technological aspects thus require very careful attention, economic aspects of these industries such as the scale of operation, procurement, marketing, financing etc., were also equally important. In addition to these two, there is the organisational aspect. These industries could be organised as private proprietary concerns or through institutions registered under the societies registration act or in the public sector particularly as Panchayat industries or finally in the co-operative sector. Among these alternative forms of organisation co-operatives have their own peculiar problems of organization, working and management. Failures of industrial co-operatives have been due to various factors technical, economic and organisational. Therefore the problems of such co-operatives need to be tackled from all these three angles.

The course was not however concerned with the technical problems but would be confined to economic and organisational problems. In a short course it would not be possible to go into all the details but it would serve the purpose of providing an orientation in and appreciation of the economic and organisational problems in industrial co-operatives.

The course covers topics such as principles of co-operation, distinguishing features of industrial co-operatives, historical development of industrial co-operation, need and scope for organising industrial co-operatives, need for feasibility study, laws affecting industrial co-operatives, management of industrial co-operatives, and policies and programmes of All India Organisations concerning co-operative organisation of industries under their purview.

**(iii) Report on the Short Term Course in Business Management of Cooperative Processing Units.**

A short term course in Business Management of Co-operative Processing units was held from 22.9.1969 to 29.11.1969. This is the Second session. The course is intended to provide orientation in principles and practices of co-operative business management to the personnel working in co-operative processing units like Co-operative Sugar Factories, spinning mills, rice mills, dal mills, poultry dressing plants, etc. The focus of the course was on aspects of management common to processing units of all agricultural and animal husbandry products.

**(iv) 19th General Managers' Course—Notification**

The Vaikunth Mehta National Institute of Co-operative Management, Poona which is an apex level Institute announces its next session of the 19th General Managers' Course from 6th April to 30th May 1970. The special features of the course are :

<i>Venue</i>	Vaikunth Mehta National Institute of Co-operative Management, Consumer Wing, 78 Koregaon Park, Post Box No. 79, Poona-1.
<i>Duration</i>	Eight Weeks
<i>Period</i>	6th April to 30th May 1970
<i>Admissions open to</i>	<ol style="list-style-type: none"> <li>1. General Managers Executive Officers Secretaries Business Managers of Wholesale Stores.</li> <li>2. General Managers Executive Officers and other senior officers like Department Managers of Department Stores.</li> <li>3. General Managers and other Senior Officers working in the National and State Federations.</li> <li>4. General Managers of really big primary stores in industrial establishments, universities etc.</li> <li>5. Teachers in Co-operative Training Colleges &amp; Centres.</li> </ol>

<i>Age limit</i>	Below 40 years
<i>Educational Qualifications</i>	Graduate. (relaxable in exceptional cases of experience and other background.
<i>Experience</i>	Minimum 3 years-relaxable in exceptional cases in consideration of education and needs.
<i>Conditions</i>	To serve Consumers' Co-operative Sector  Institution Department for a period of 3 years after training.
<i>Last date of nominations</i>	28th February 1970.
Apply to the Director of the Institute.	



**THE MYSORE STATE CO-OPERATIVE APEX BANK LTD.****BANGALORE-18.**

(Established—1915)

(MNGR/DEP/1341/68 dt. 20-4-1968)

**SCHEDULED STATE CO-OPERATIVE BANK.****"Schedule of Rates of Interest on Deposits with effect from 18-8-1968"**

I. Current Account	Rs.	$\frac{1}{2}\%$
II. Savings Bank Account		4%
III. Call Deposits :		
Rs. 25,000/- and above (3 days notice)		3%
IV. Fixed Deposits :		
1. 15 days to 45 days		$2\frac{1}{2}\%$
2. 46 days to 90 days		$3\frac{1}{2}\%$
3. 91 days but less than 6 months		$5\frac{1}{4}\%$
4. 6 months but less than one year		5-7/8%
5. 1 year but less than 2 years		6-3/8%
6. 2 years but less than 3 years		6-5/8%
7. 3 years but less than 5 years		6-7/8%
8. 5 years but less than 7 years		7-1/8%
9. 7 years but less than 9 years		7-3/8%
10. 9 years and above		7-5/8%
11. Reserve Fund Deposits of Central Co-operative Banks and other Co-operative Societies		6%
V. Thrift Certificates at nominal rates of : Rs. 5/-, Rs. 10/-, Rs. 50/-, Rs. 100/-, and Rs. 500/- Denomination.		
VI. Golden Jubilee Certificates accepted at more attractive rates of interest.		
VII. Transacts all kinds of Banking business all over India.		
VIII. Our Branch at Janatha Bazar, Kempe Gowda Road, Bangalore-9, Transacts all kind of Banking business and work from :		
9 A.M. to 11-30 A.M. 5 P.M. to 7 P.M.	}	on Week days.
9 A.M. to 11-30 A.M. —		on Saturdays.

**B. S. Vijia Gopal**  
Secretary.

**Veershetty Kushnoor**  
President.

**Memorandum submitted by the All India Central Land Development Banks Co-operative Union to the Government of India, the Planning Commission and the Reserve Bank of India on 29 Oct. 1969 requesting enhancement of the IV Plan target and the programme for 1969-70 for debenture issues by Land Development Banks.**

**Sub:** Fourth Five Year Plan proposals on co-operation — Programme for disbursement of long term loans by Co-operative Land Development Bank — Enhancement — Regarding.

As you may be aware, on the basis of the availability of resources, for the Fourth Five Year Plan, a programme of Rs 700 crores was fixed for long-term agricultural credit to be disbursed through different co-operative land development banks as per statement enclosed. This allotment was, as is well known, not need-based, but one arrived at on resource-availability.

2. Since this allotment was made, in a number of States much larger demand for long-term credit has been felt and several of the State Land Mortgage Banks have now requested us to get their programmes of loaning and debenture floatations suitably enhanced.

3. For the Fourth Plan, the State Land Development Banks could project a programme of disbursed credit of over Rs 1030 crores and the same was considered in the Standing Committee meeting of the Union held in New Delhi on 2nd June, 1968. The representatives of the Government of India (Department of Co-operation) and the Reserve Bank of India attended the meeting and assisted in the deliberations. On the basis of the possible resources that would be available for contribution to the debentures of land development banks from the public sector institutions, the Central and State Governments, the Co-operative Sector, Commercial banks and mutual sinking fund investments, the Working Group fixed the IV Plan programme at Rs 700 crores. It was at the same time indicated that if additional resources became available, the programme could be suitably stepped up.

4. In many States in India, State Governments have stopped direct disbursement of taccavi to agriculturists and the co-

operative long term credit structure is the only agency providing the much needed long term credit for development of agricultural land and increasing the irrigation potential in the country. Expecting Nagaland, all the States and the union territories of Himachal Pradesh and Pondicherry, have Central Land Development Banks functioning, while in the union territory of Delhi, the Delhi State Co-operative Bank is advancing development credit to the farmers. There are now over 1400 primary units (primary land development banks or branches of central land development banks) operating, and in many States the organisation has been taken to the taluka level and even to the block level.

5. Innovations in agricultural technology have opened up vast potentialities for development of agriculture and long term credit is now viewed essentially as dynamic credit in the sense it helps the farmer to create assets on land, progressively increasing his output and add to the agricultural production of the country, as a whole. The focus of the programme for long term co-operative credit is now primarily on servicing specific developmental programmes of minor irrigation, rural electrification and introduction of improved farm machinery.

6. The demand for long term finance has been increasing during the last few years because of increasing realisation on the part of the farmers that agriculture should be pursued more as an industry and business, by putting more of capital investment on land and increasing its production potential. Unless sufficient production potential is created, all the programmes for increasing food production are likely to meet only with partial success. As a result of this realisation, the annual demand for long-term agricultural credit has increased. Another factor which has contributed to the increase in demand for long term credit is the realisation on the part of developing and economically backward areas that the imbalances in development as are now apparent could be rectified only by developing to the full, their agricultural potential. Programmes with shortest gestation periods yielding, so to say, immediate results are those of minor irrigation works, energising of wells by extension of rural electrification and introduction of mechanised agriculture. Unless the increase in demand is met by development will persist. A situation like this will give rise to frustrations and tensions detrimental to the progress of the country.

7. In the context of our demand for additional funds, it may also be mentioned that, in the total programme of agricultural credit, unfortunately the importance of long-term credit has not yet been adequately recognised. While the Reserve Bank of India has been able to find resources for the short-term agricultural credit to the extent of about Rs 200 crores per annum, the mobilisation of resources for long-term credit has been on a very small scale despite the importance of the programme in terms of increasing production potential. In fact, without creating the necessary potential for agricultural production, if funds are made available for short-term operations, it would be a step amounting to putting the cart before the horse. We do not think investments in the programme which seek to create sound production potential would have any inflationary propensities. On the contrary, inflationary effects are possible if huge amounts are injected into the short-term structure without preparing the necessary production potential.

8. One possible argument for denying adequate resources to the land mortgage banking structure is that other agencies are also playing their role in the field. In regard to this problem also, we have to state that the experience which we have built up over the last several years, the expertise which we have already at our command and the net-work of organisations right from the grass root level are not the factors which are easily substitutable. The other agencies which do not have the necessary net-work of organisation and personnel at the taluka level may not be able to do much by way of making available production-oriented credit of long-term nature for purposes such as minor irrigation etc., and even if they are able to do so, they will be able to cover only selective farmers who are easily accessible and recoveries from—whom would be comparatively easy. Even in terms of expenses and personnel for maintaining millions of loan accounts in the rural areas, it is doubtful whether any new agency coming to the field could as effectively handle the work as the existing land mortgage banking structure. We, therefore, feel that to avoid unnecessary duplication and overlapping (and consequent waste of national resources and energy), the land mortgage banking structure which is already functioning effectively, should be utilised as an instrument by other agencies as far as possible for the flow or their funds to the farmer. While we do not object to the other agencies wishing also to play their role in this field of activity, in order to enable us to use our machinery and experience fully, we should be given all the resources we

need; and if this is not made possible by augmenting funds, it would be very difficult to execute the development programme during this year as well as in the Fourth Five Year Plan period.

9. Almost all the state cooperative land development banks, have represented that the IV Plan programmes fixed for them were low and that at the current rate of expansion and the need for development, they have to be considerably enhanced. The case of individual banks is explained below:

**ANDHRA PRADESH:** Keeping in view the administrative and organisational structure built up, the potential for development in various areas of the state and the magnitude for agricultural programmes envisaged in the state with emphasis on minor irrigation, rural electrification and introduction of improved farm machinery, the State Government originally approved a programme of Rs 95 crores for the IV Plan under long-term credit and the Sub-Working Group of the Government of India also approved it, but the Working Group scaled it down to Rs 80 crores, on the basis of which, the programme for 1969-70 has been fixed at Rs 14 crores. Since then, there has been serious political development in the state and special steps are being taken by the State Government to rectify the imbalances in the development of Telengana and Rayalaseema regions and the Central land mortgage bank has been asked to divert a sum of Rs 50 — Rs 6- crores during the IV Plan to the Telengana region alone. Similarly at the instance of the Government of India, the State Government has prepared a master plan to eradicate famine in the chronically drought affected areas of the state by undertaking minor irrigation works etc. There was a serious cyclone in the Coastal districts during 1969 causing capital losses to the agricultural community and a great need has arisen for providing long term credit on a large scale to enable farmers to build up the assets and rehabilitate themselves. On account of the foregoing factors, the Andhra Pradesh Cooperative Central Land Mortgage Bank has requested an increase of its IV Plan target from Rs 80 crores to Rs 120 crores and the programme for 1969-70 to Rs 20 crores.

**BOMBAY (MAHARASHTRA):** As a result of the notable work done by the State Government through Zilla Parishads and co-operative organisations to persuade the agriculturists to acquire self-sufficiency in food production, the demand for long-term credit has been constantly on the increase in the

State. As against Rs 8.65 crores of loans disbursed during 1962-63, the loans advanced during 1968-69 amounted to over Rs 26 crores, which is the largest amount disbursed by any land development bank in any year. This is what it ought to be for Maharashtra has the lowest percentage of irrigated land. A large number of lift irrigation schemes and schemes for construction of weir-cum-bridges and for utilisation of ground water potential have been formulated and the farmers are very enthusiastic about bringing the schemes into operation. If the necessary finance for working the scheme is provided, it will go a long way in increasing agricultural production.

The Bombay State Co-operative Land Mortgage Bank originally projected a programme of Rs 165 crores for the IV Plan, but the Working Group, on account of paucity of resources, lowered it to Rs. 107 crores with Rs 27.25 crores as the programme for the current year. The Reserve Bank, however, reduced the current year's programme to Rs. 20 crores, inspite of the representations of the bank about the large demand for long-term advances in Maharashtra.

As a result of the various schemes formulated and the large awareness created among the farmers of the need to develop the land and increase agricultural production, the demand for loans has increased even during 1968-69, and inspite of instructions to the primary banks to be slow and selective, demand for about Rs 10 crores remained unfulfilled, which is mostly in respect of second instalments of works already undertaken. The finance required during 1969-70 is estimated at Rs 60 crores (including Rs 20 crores which could be availed from the Agricultural Refinance Corporation). On this basis, the bank has requested for an increase in its Fourth Plan allocation from Rs 107 crores to Rs 300 crores. This is in addition to the programme of Rs. 81 crores under the Agricultural Refinance Corporation schemes. To cope with this programme the bank has already taken steps to strengthen technical cells, planning and research staff and inspection staff with itself as well as the affiliated primary banks.

**BIHAR:** The IV Plan programme of this bank was fixed at Rs 40 crores on the basis of its past performance, with Rs 4.0 crores as the target for 1969-70. The Bihar State Co-operative Land Mortgage Bank is a developing bank and there is need and scope for large scale development in the State. The

bank has been taking steps to streamline its procedures and strengthen its administrative machinery and in view of the larger demand from farmers in the state for long term credit, especially for minor irrigation works, the bank has requested for an increase in the IV Plan target from Rs 40 crores to Rs 60 crores, with Rs 6 crores as the programme for 1967-70.

**DELHI TERRITORY:** No specific IV Plan programme was allotted to this union territory, but the Delhi State Co-operative Bank, which has been doing the work of land development banking in the area has requested for a programme of Rs 1.30 crores for the IV Plan with a target of Rs 0.50 crore for 1969-70.

**GUJARAT:** The Gujarat State Co-operative Land Development Bank had earlier projected a programme of Rs 118.25 crores for the IV Plan period, but the Working Group lowered it to Rs 95 crores in view of the paucity of resources. Considering the increase in demand for long term agricultural credit in the state and the priority given in the Plan for development of agriculture and the rate of growth of long-term advances in the state during the last six years (loans disbursed during 1963-64 being Rs 5.60 crores and during 1968-69, Rs 21.14 crores, the average increase being Rs 3.10 crores per year), the Gujarat State Co-operative Land Development Bank has requested for a total programme of Rs 141.14 crores for the IV Plan, the entire amount to be invested on minor irrigation works, the target for 1969-70 being Rs 22.34 crores. The bank has the necessary administrative structure and technical personnel to carry out the programme successfully and has also strengthened its staff, besides establishing technical and research cells to ensure the successful working of the schemes.

**HARYANA:** The Haryana State and the Haryana State Co-operative Land Mortgage Bank are young and the central land mortgage bank, which has been brought into existence as a result of bifurcation of the Punjab State Co-operative Land Mortgage Bank of the composite Punjab State, has been progressing well and on right lines. It is one of the banks which have very low overdues from its borrowers. A programme of Rs 15 crores for the IV Plan and of Rs 2.50 crores for 1969-70 were allotted to this bank. The Government of Haryana has stopped giving taccavi for minor irrigation works and there is a larger demand for long-term loans from land mortgage banks, mostly for mechanisation of agriculture. In view of

this, the bank has requested for increased programme of Rs 20 crores for the IV Plan and of Rs 3.0 crores for 1969-70.

**MADHYA PRADESH:** Madhya Pradesh is the largest state in the Indian union in respect of area, but only one-third of the area is under cultivation, of which only 6.5% of the area enjoys irrigation facilities. There is ample potential for increasing irrigation facilities in the State through minor irrigation works, for which considerable long-term loan assistance to farmers is required. In view of this, the Madhya Pradesh Rajya Sahakari Bhoomi Vikas Bank Ltd., has proposed that its IV Plan programme might be increased from Rs 45 crores to Rs 70 crores and the programme for 1969-70 from Rs 4 crores to Rs 5 crores.

**MADRAS (TAMIL NADU):** In this State taccavi loans for minor irrigation have been recently transferred to co-operative land development banks, as a result of which the demand for loans from the banks has considerably increased. The Fourth Plan target fixed for the State is Rs 55 crores and the current year's programme, Rs 12 crores. During 1968-69, the Madras Co-operative Land Mortgage Bank sanctioned loans for Rs 20 crores (many of which were for purchase of agricultural machinery and minor irrigation works), against which disbursements were effected of only Rs 14 crores, leaving a spill-over of Rs 6 crores. Taking this committed demand for Rs 6 crores and fresh applications on hand for an equal amount, the bank has requested for an increase of its current year's programme from Rs 12 crores to Rs 20 crores and the IV Plan target from Rs 55 crores to Rs 125 crores.

**mysore:** A Fourth Plan target of Rs 60 crores and a programme of Rs 8 crores for 1969-70 were fixed for the Mysore State Co-operative Land Development Bank. The Bank has stated that it has a programme of financing farmers during the IV Plan period for sinking a lakh of wells and installing pump-sets to them, for which a sum of about Rs 70 crores will be needed. It has, therefore, requested that the IV Plan target may be increased to Rs 85 crores.

**ORISSA:** During the last two to three years, there has been a welcome change in the loan policies of the Orissa State Co-operative Land Mortgage Bank, and it has been encouraging and popularising loans for minor irrigation works. Consequently, the demand for loans for lift irrigation schemes, sink-

ing of wells and installation of pumpsets has increased. The State Government also proposes to set up a rural electricity corporation and when this corporation comes into being the demand for loans will further increase. Besides, the bank has a programme for introducing tractors and other agricultural machinery and schemes for levelling and bunding in the hilly districts like Koraput and Phulbani. In view of the large demand for long-term loans that would thus be generated, the bank has requested an increase of the IV Plan programme from Rs 15 crores to Rs 33.75 crores and of the current year's target from Rs 4 crores to Rs 4.68 crores.

**PUNJAB:** The Punjab State Co-operative Land Mortgage Bank is one of the best central land development banks in the country having the lowest overdues from the borrowers at the primary level. Its IV Plan target was fixed at Rs 28 crores and the 1969-70 programme at Rs 5.50 crores. There is a great demand in the state from farmers for loans to purchase tractors and to sink bore wells. To meet this increased demand, the bank has proposed that its IV Plan programme might be increased to Rs 45 crores and the 1969-70 programme to Rs 7 crores.

**RAJASTHAN:** The Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd., had originally projected its IV Plan programme at Rs 24.50 crores and the 1969-70 target at Rs 3.00 crores. On account of paucity of resources, however, they were reduced to Rs 17.00 crores and Rs 2.50 crores respectively. The Bank has stated that it had formulated its programmes, keeping in view the requirements of the area, the feasibility of the programme and its ability to execute it successfully and requested that they may be restored.

**UTTAR PRADESH:** The Uttar Pradesh State Co-operative Land Development Bank has originally prepared a programme in consultation with the State Departments of Agriculture and Minor Irrigation for the disbursement of long-term loans for a total of Rs 110 crores during the IV Plan, but the Working Group reduced it to Rs 100 crores. The target for 1969-70 was similarly reduced from Rs 20 crores to Rs 14 crores. There is scope for development of irrigation facilities in an area of about 163 lakh acres by lift irrigation and sinking wells and installing pumpsets. It is stated that with greater emphasis on double and multiple cropping, the area may increase to about 20 lakh acres. The State Land Development

Bank is organisationally strong with 171 branches. In view of the large scope for increasing irrigation facilities through minor irrigation the bank has requested that the IV Plan programme may be increased to Rs 150 crores and the programme for 1969-70 to Rs 20 crores.

The Assam, Himachal Pradesh, Jammu & Kashmir, Kerala, Pondicherry and West Bengal banks have not indicated that their programme require revision. The programmes of these banks together with the enhanced programmes requested by the other banks are indicated below:

10. As indicated in the preceding paragraphs long-term credit during the IV Plan will be directly correlated to the agricultural development programmes, of which minor irrigation, energising of well and introduction of improved agricultural machinery, all of which result in an immediate increase

Rs. in crores.

S. No.	Name of the bank	Programme for IV Plan	Programme for 1969-70
1.	Andhra Pradesh	120.00	20.00
2.	Assam	4.00	0.65
3.	Bombay	300.00	60.00
4.	Bihar	60.00	6.00
5.	Delhi S.C.B.	1.30	0.50
6.	Gujarat	141.14	22.34
7.	Haryana	20.00	3.00
8.	Jammu and Kashmir	3.00	0.50
9.	Kerala	15.00	1.80
10.	Madhya Pradesh	70.00	5.00
11.	Madras	125.00	20.00
12.	Mysore	75.00	8.00
13.	Orissa	33.75	4.68
14.	Punjab	45.00	7.00
15.	Rajasthan	24.50	3.00
16.	Uttar Pradesh	150.00	20.00
17.	West Bengal	15.00	1.50
18.	Himachal Pradesh	6.00	0.50
19.	Pondicherry		
20.	Tripura	0.25	0.05
<b>TOTAL:</b>		<b>1,208.94</b>	<b>184.52</b>

in yields, occupy a major part. The Land Development Banks have been urged by the Reserve Bank of India to take to production-oriented loaning, with greater emphasis on the additional income that would be generated by the development and the repaying capacity that would be created, rather than on the security aspect alone; and the banks have been (taking steps to) reorienting their loaning policies accordingly. Procedures for the valuation of land are being liberalised and this will enable small farmers also to get loans for modernising their agriculture. As indicated in the case of individual banks, many of them, especially those with larger programmes are organisationally, administratively and financially sound and are confident of completing the enhanced programmes proposed. As almost all the loans will be for developmental purposes, the monies invested would build up permanent assets helping increased agricultural production. Agricultural development programmes occupy high priority in the IV Plan schemes, and at the present juncture it is a matter of great urgency and vital importance that the land development banks should be assisted with funds to enable them to finance farmers to improve and increase the productivity of their holdings.

When the Working Group and the Planning Commission examined the programmes in 1968 the position was such that possibly not enough resources could be found to meet the programmes projected by the banks in full. Now the 14 nationalised commercial banks have the same sense of commitment to help development of agriculture as the State Bank of India has. In this connection it is understood that the National Credit Council has considered the question and agreed in principle that if the opportunities for direct finance to agriculture are limited for the Commercial Banks and if the land mortgage banks had genuine need for the funds, the former should increase their purchase of land mortgage banks' debentures. With the high priority given to accelerating the growth in farm yields it should be possible to find for the purpose at least the additional Rs 509 crores during the IV Plan period. In the circumstances we earnestly request that the IV Plan target for debenture issues of the Land Development banks which was originally fixed at Rs 700 crores, may now be increased to Rs 1209 crores, and the programme for 1969-70 correspondingly raised from Rs 113 crores to Rs 184.52.

Thanking you,

Yours faithfully,  
 (Sd) Udaybhansinhji  
 Chairman

**079691**

**LAND DEVELOPMENT BANKS** — **LOAN TARGETS**  
**DURING IV PLAN**

Rs. in crores.

S. No.	Name of the bank	Programme approved by the Working Group
1.	Andhra Pradesh	80
2.	Assam	4
3.	Bihar	40
4.	Gujarat	95
5.	Haryana	15
6.	Jammu & Kasmir	3
7.	Kerala	15
8.	Madhya Pradesh	45
9.	Madras	55
10.	Maharashtra	107
11.	Mysore	60
12.	Nagaland	—
13.	Orissa	15
14.	Punjab	28
15.	Rajasthan	17
16.	Uttar Pradesh	100
17.	West Bengal	15
18.	Himachal Pradesh	
19.	Pondicherry	6
20.	Othe Union Territories:	
TOTAL:		700

**079691**



**THE GUJARAT STATE CO-OPERATIVE LAND  
DEVELOPMENT BANK LIMITED.**

(Registered Office : Ahmedabad)  
Estd. 1951

Telegram :  
**'KHETIBANK'**

Telephones : { Ahmedabad : 50515/50539  
Rajkot : 3608 / 3788

489, Ashram Road, Navrangpura, Ahmedabad-9.

The Bank is playing an important role in increasing agricultural production by creating capital assets on land by advancing productive loans for New Wells, Oil Engines, Electric Motors, Tractors, Bundings, Farm Houses, reclamation of land etc.

		Amt. In crores.
Branches :	181	Authorised Share Capital      Rs. 10.00
Membership :	7,18,472	Debentures raised                Rs. 80.32

**LOANS ADVANCED AS ON 30-6-69**

Sr. No.	Purpose	Number	Amt. in crores
1.	New Wells	140,588	Rs. 29.97
2.	Repairs to wells	29,340	Rs. 2.57
3.	Oil Engines & Electric Motors	1,24,449	Rs. 43.54
4.	Tractors	2,974	Rs. 5.31
5.	Advances under Land Reforms Act	56,947	Rs. 2.63
6.	Other purposes	—	Rs. 10.73

**Total Advances Rs. 94.96 Crores**

Maganbhai R. Patel Vice-Chairman	H. H. Trivedi, I.A.S. (Retd.)	Udaybhansinhji, Yuvraj of Porbandar, Chairman.
	Managing Director.	

INCREASED AGRICULTURAL PRODUCTION IS VITAL  
TO OUR NATIONAL ECONOMY AND OUR VERY  
EXISTENCE. LET US RISE TO THE OCCASION  
AND GEAR UP OUR ENTIRE MACHINERY  
TO MEET THE CHALLENGE.

**WE ADVANCE LOANS**

FOR

Land Improvement, Oil Engines, Electric Motors & Pump Sets,  
Tractors, Digging Wells-Irrigation Schemes etc.

*For full particulars contact :*

District Co-op : Land Development Banks, Regional Offices  
at Aurangabad, Nagpur, Poona and Nasik

or

THE BOMBAY STATE CO-OPERATIVE LAND  
MORTGAGE BANK LTD.,

J. K. Building, 2nd floor, Dougall Road,  
Ballard Estate, Bombay-1.  
(Estd. 1935)

Telephone :

Telegram: "MORTGAGE"

Head Office : 267801

267802

267803

261103

Sub Office No. 1	:	260306
Sub Office No. 2	:	290006

As on 30-6-69

Authorised Share Capital	Rs.	10,00,00,000
Subscribed Share Capital.		
1. State Government	Rs.	1,10,00,000
2. Primary Land Development Banks & others.	Rs.	<u>5,56,48,485</u>
	Rs.	6,66,48,485
3. Reserve Fund	Rs.	45,05,092
4. Sinking Fund Investment	Rs.	27,76,73,045
5. Loan outstanding	Rs.	84,97,26,562
6. Debentures	Rs.	98,99,47,950
7. Loans advanced during the period from July 1, 1968 to June 30, 1969.	Rs.	26,26,09,028

Affiliated primary land development banks to the Apex Bank in the  
Maharashtra State = 27

R. G. GOKHALE  
Manager

G. P. BHAVE  
Managing Director.

N. A. KALYANI  
President.





COMPILED



